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7 May 2008

Dear Sir,

Second Exposure Drafts of Potential IAA Standards regarding International Financial Reporting Standards

Following extensive consultation with members of the PricewaterhouseCoopers network of firms, this response summarises the views of member firms who commented on these Exposure Drafts ('EDs'). "PricewaterhouseCoopers" refers to the network of member firms of PricewaterhouseCoopers International Limited, each of which is a separate and independent legal entity.

General

As discussed in our previous response letters dated 4 March 2005 and 30 March 2006, we welcome the publication of non-binding guidance designed to assist members of the IAA with the application of IFRS.

Such guidance is described by the IAA as being educational in nature. In our view a careful balance is needed in providing sufficient explanation of the application of IFRS to assist readers' understanding and to facilitate the judgements necessary in its application and going beyond that to give what is in effect an interpretation of IFRS. The latter in our view is inappropriate and risks promoting misapplication of the IFRSs. We believe that certain sections of the ED of the IASP on disclosure as currently drafted fall into this latter category and should be amended as we recommend below.

We set out in the body of this letter our main comments on the individual exposure drafts. Our detailed responses to the specific questions raised by the IAA are included in Appendix I together with a number of other comments on the individual exposure drafts.

Disclosure of Information about Insurance Risk under International Financial Reporting Standards [IFRS 2008]

We do not agree with a number of statements predominantly contained in section 4.1 on 'General Considerations', section 4.2 on 'Aggregations and Materiality' and also used in other sections to analyse specific disclosure requirements. These statements indicate to the practitioner that

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- "certain disclosures required under IFRS should not be given where an aggregation basis cannot be found easily or when disclosure 'can lead to information overload' ". This statement is overly prescriptive and should be removed or substantively modified. The level of aggregation is a matter of judgment in all the circumstances and should be taken case by case. Materiality will be one of the key considerations to take into account in reaching a judgement;

- "qualitative disclosures are usually more informative than quantitative ones when the underlying insurance business is complex and that in this case aggregated quantitative disclosure would usually be misleading." In our view this is not a foregone conclusion and the position will depend on the judgements made around the specific facts and circumstances at the time. We note in particular that the Implementation Guidance to IFRS 4 states its preference for quantitative disclosure when it does not mandate it. We are not aware of circumstances when quantitative disclosure recommended in the Implementation Guidance would be misleading;

- "other IFRSs and the IASB Framework should be used to decide on the application of specific IFRS disclosure requirements." This is contrary to the IFRS Hierarchy as set out in IAS 8 paragraph 10-12 which allows the reference to other IFRSs and subsequently to the IASB Framework only when a specific IFRS is silent on the required disclosures.

We recommend that the ED is revised focusing on achieving an unbiased presentation of the requirements and implementation guidance set out in the relevant IFRSs and to draw attention to those more challenging areas where judgment will be required. It is important that the final IASP clearly distinguishes when it refers to requirements of an IFRS and its Implementation Guidance and when it is providing explanations and examples of how the practitioner could apply such requirements and guidance. In particular, in the final IASP the explanations and examples should not be set out in such a way as to lead the reader to a predetermined outcome in advance of the judgement process and proper consideration of all the facts and circumstances.

Business Combinations under International Financial Reporting Standards IFRS [2008]

The guidance currently includes an interpretation of when a business combination occurs as opposed to a portfolio transfer. This is a complex and challenging area the judgements about which should be based on specific facts and circumstances. Such interpretation is not in our view appropriate.

We welcome the introduction of illustrative examples but recommend that these should focus on the key characteristics discussed in the IFRS literature, in particular the transfer of business processes. To ensure the educational purpose of the illustration is not overlooked when individual sections of the IASP are consulted, we recommend adding text to clarify that the examples are illustrative of the application of a principle and should not be seen as surrogate rules.

The ED makes reference to actuarial valuation techniques such as embedded value but provides no further explanation of them. While we welcome the explanation of the Actuarial Appraisal Method we recommend that similar explanation of embedded value and one of the methods to measure the fair value of non-life liabilities are included to make the document more relevant to users who do not use US GAAP as their method of accounting for insurance contracts.

If you have any questions in relation to this letter please do not hesitate to contact Richard Keys (+44 207 212 4555) or Gordon Ireland (+44 207 212 5163).

Yours faithfully

PricewaterhouseCoopers LLP

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Appendix 1 – Answers to specific questions and other comments

General questions

1. *Do these Second Exposure Drafts EDs provide adequate and appropriate guidance for the application of IFRS 3, 7 and related IFRSs in the areas addressed?*

   We welcome the IAA's efforts to continue its plans on the development of educational guidance for the actuarial profession when its members deal with IFRS related issues. We set out in our covering letter our concerns on the publication of the Disclosure ED as currently drafted and the key areas where we consider that the Business Combinations ED should be improved. More specific comments in response to the question are presented below.

2. *In which areas do you recommend additional educational guidance to be provided? To what extent is the guidance included inappropriate or unnecessary? Please be as specific as possible.*

   The IAA educational material for the actuarial profession should make clear that it is purely educational, provides summary information only and does not seek to provide interpretations of IFRS.

   In a number of areas the documents stray into the area of interpreting IFRS requirements rather than factually stating what they are and how the actuarial profession might apply them. Examples include, but are not limited to, to the level of disclosure required by IFRS in section 4.2 of the Disclosure IASP and the interpretation of where a transaction is a business combination or a portfolio transfer in section 4.2 of the Business Combinations IASP.

   While the documents state that they are non-binding in nature, they also state that 'They ... serve to demonstrate ... how the actuarial profession expects to approach the subject matter.' There is a concern that actuaries may feel obliged to take the guidance as authoritative where they are obliged to follow generally accepted actuarial practice.

   As these IASPs focus primarily on accounting matters, it would be appropriate for such documents to clarify that accounting experts should be consulted on accounting matters.

3. *Are there any definitions of terms that should be added to the Glossary that are not already included?*

   We have not identified additional definitions of terms for the Glossary.

4. *[For IAA member associations] What are your plans regarding implementation of the proposed IASPs? Where IFRS is the required reporting basis in your jurisdiction, do you intend to introduce similar standards or use these IASPs when they are published? What are your plans for members practicing in other jurisdictions?*

   This question is not applicable to PricewaterhouseCoopers LLP.

5. *Other comments on these EDs.*

   We do not have other general comments.

6. *Any comments on the previous nine IASPs that were published by the IAA?*

Please refer to our letters dated 4 March 2005, 23 May 2005 and 30 March 2006 on the EDs of the previous nine IASPs.

Business Combinations

1. *Is there adequate substance included in this ED to warrant an IASP on Business Combinations?*

Yes, we believe that there is enough substance to warrant an IASP on Business Combinations.

2. *The ED does not provide specific guidance regarding investment contracts with Discretionary Participating Features. What is the extent of the need for such guidance? If it is significant, do you have any specific suggestions in this area?*

Consistent with our response to the preliminary exposure draft, the accounting for contracts with DPF is a complex matter, in particular in relation to the measurement of their fair value. We recommend that the IASP be expanded to explain the issues that an actuary would need to consider when involved in determining the fair value of contracts with DPF in the context of a business combination or a portfolio transfer.

3. *Are there any other Business Combination issues that should be addressed in this IASP?*

We have not identified any further issues that should be addressed in this IASP. Our recommendations for expanding on issues currently included are set out in our response to question 5.

4. *Do you have a view as to the effective date of this guidance, given that the revised IFRS 3 that was published January 2008 can be adopted prior to this effective date?*

IFRS 3 (Revised) is applicable for reporting periods on or after 1 July 2009. Early application is permitted for reporting periods beginning on or after 30 June 2007. We believe that this guidance should not include an effective date, as to do so would suggest that it requires compliance. Instead the IASP should continue to carry only the publication date and the explanation of the IFRSs it refers to. Considering the limited period prior to the mandatory effective date of IFRS 3 (Revised) the IASP should be positioned as educational guidance on this IFRS and the discussion on the accounting for business combinations prior to the effective date of this IFRS should be retained as background material and contained in an appendix.

5. *Other comments.*

Section 4.1

This section should make clear that all references to IFRS 3 in the IASP are to IFRS 3 (Revised) unless otherwise indicated.

Section 4.2

This section includes interpretations of deciding if transactions constitute a business combination under IFRS or not (an example of a transaction that does not constitute a business combination is a portfolio transfer). For instance the text "Even without the transfer of rights to issue future contracts, the potential of the net cash flows associated with a portfolio of insurance contracts to generate profits would seem to constitute a business". We are concerned that this may be seen as an interpretation of a standard, and therefore a rule, rather than as an illustrative example of the application of a principle. The decision as to whether the transaction is a business combination or a portfolio transfer should be determined by accounting experts based on specific facts and circumstances. We believe it appropriate in this educational material to highlight the key differences between a business combination and a portfolio transfer and this should focus on whether business processes are transferred.

The second paragraph on page 4 notes that certain types of reinsurance contracts result in a business combination and other types would not. Further explanation of why, including illustrative examples would clarify this for the reader.

Accounting for the formation of a joint venture is not within the scope of IAS 31. There is no published IFRS guidance. The scope of the guidance in the ED should be restricted to areas where IFRSs exist.

Section 4.3.1

Paragraph 2 on page 6 sets out that it may be relevant to recognise a PVIF in place of deferred costs and unearned revenue liability. We recommend this section is updated to consider how the acquirer moves from the fair value of acquired insurance contracts to the presentation of a liability and an asset for the difference (PVIF).

Paragraph 3 on page 6 should be expanded to explain differences between fair value and existing accounting practices on insurance contracts available under IFRS 4, for example, the use of excessive prudence on the election to account for the entire DPF as a liability.

Section 4.3.2

Paragraph 2 on page 7 states that amortisation of the recognised intangible assets is over the life of the contract. We recommend that the wording be updated to reflect that it is over the settlement of the associated liabilities. The reason for this is clearer when considering participating contracts which under IFRS 4 have two elements which may be accounted for as liabilities, the guaranteed element and the discretionary participation feature (DPF). As the DPF does not necessarily attach to the existing insurance contracts, an amortisation policy for PVIF compliant with IFRS 4 should be consistent with how the entire liability is settled rather than over the life of the contracts which attach to the contract liability.

Paragraph 1 on page 8 states that the fair value for investment contracts that do not contain DPF is equivalent to their carrying amount determined under IAS 39 measurement at fair value through profit or loss. This is not necessarily the case because IAS 39 contains a limit to the fair value of financial liabilities with a demand feature (also known as “the deposit floor”) which may result in the IAS 39 liability being greater than its fair value.

Section 4.3.4

Paragraph 4 on page 9 notes that practices such as the Actuarial Appraisal Method that are commonly used by market participants to estimate the fair value of insurance contracts may be appropriate for IFRS reporting purposes. Appendix C to the document explains the basics of the Actuarial Appraisal Method and observes that it is an accepted practice under US GAAP to measure the fair value of insurance contracts in a business combination. In consideration of the international spread of the practitioners who will be using the IASP we recommend that appendices with the basics for the embedded value methods, widely used in Europe, and one method for fair valuing non-life contracts are also included.

In paragraph 4 on page 10, the final sentence states that '...it is possible for the difference to change sign...'. We are unclear as to which situation you envisage this happening and we recommend that an illustrative example be included to clarify this point.

In paragraph 1 of page 11, the text discusses the recognition of an intangible asset as the difference between existing accounting and fair value. Such a difference would be a liability and not an asset as it arises from the change between an incurred loss and expected loss basis.

In the section entitled 'Value of Reserve Guarantees' on page 11 the guidance suggests that the actuary may wish to treat such a guarantee as a reinsurance asset and account for it using existing accounting policies for reinsurance. Such a guarantee would also meet the definition of an indemnification asset. IFRS 3 (Revised) paragraphs 28 and 57 have specific measurement requirements for indemnification assets. These assets should be initially measured at their acquisition date fair value and subsequently measured on the same basis as the indemnified liability or asset. As an exception to this requirement the indemnification asset should be measured using assumptions consistent with those used to measure the indemnified item where the indemnification relates to an asset or liability that is measured on a basis other than acquisition-date fair value. This exception does not apply to insurance contracts that are always fair valued in a business combination.

Section 4.3.5

This section sets out potential amortisation methods for the other intangible assets recognised. IFRS 4 paragraph 33 scopes PVIF out of IAS 36 and 38 on intangible assets amortisation and their impairment, however any other intangible assets are within the scope of these standards. IAS 38 sets out that intangibles should be amortised systematically over their useful lives. The amortisation period used should reflect the pattern in which the assets future economic benefits are expected to be consumed by the entity. If that pattern cannot be determined reliably, the straight-line method should be used. We recommend that the principle as set out in IAS 38 should be used to explain the amortisation methods appropriate for the various intangible assets rather than specifying particular methods which may or may not be appropriate based on the specific facts and circumstances.

The sections on the 'Value of Distribution Systems/Relationships' and 'Customer Relationships and Customers Lists' highlight that intangible assets can arise from these two types of relationships held by the insurer being acquired. We recommend that the guidance be expanded to highlight that these two types of customer relationships are mutually exclusive, but they can coexist in the same acquired insurance business depending on the nature of the acquired insurer's business, and

therefore the actuary should be mindful of double-counting the value of the relationship. It would also be helpful to the reader to expand on the point that the fair value of the intangible in relation to distribution relationships is based on the output from the distributor, with the fair value encompassing the distributor's ability to generate new business in addition to the existing business. This contrasts with the fair value of the direct customer relationship, where the future margins on existing contracts are included within the PVIF calculation and the selling of any future contracts to the customer will be included as a separate intangible asset where it is identifiable and can be reliably measured or otherwise included in goodwill.

The paragraph on 'Service agreements' currently does not distinguish the case of a supplier relationship ('outsourcing of claims administration') from the case of a customer contract ('service component of investment contracts'). These are different types of assets: the former representing the value of a supply contract the latter being another example of customer relationship asset. In addition, an illustrative example would aid understanding what indicators would result in recognising an asset from having secured a contract with a supplier (e.g. a fixed price arrangement for a long period of time).

The section on 'Brand Names, Trademarks, Copyrights' notes that the identification of cash flows to value these assets may prove difficult. We agree with this assessment. However we would recommend highlighting to the reader that the International Valuation Standards Committee (IVSC) has issued guidance on the valuation of such intangibles (see GN 4 in the International Valuation Standards 2007) and it is considering the development of further guidance on the fair valuation of intangible assets for the purpose of IFRS. This section also notes that some legal rights could lead to the intangible asset having an indefinite life. We recommend that the guidance be updated to include the list of factors to be considered in determining the useful life of an asset as set out in IAS 38 paragraph 90 where the factors to consider extend beyond legal rights.

Section 4.3.6

The text in the third paragraph of this section states that 'the value of goodwill need not be justified'. This is inconsistent with IFRS 3R paragraph B64(e) which requires the acquirer to disclose a qualitative description of the factors that make up the goodwill recognised.

Section 4.3.8

The final paragraph of this section states that shadow accounting may not come into play until after the acquisition date. We recommend that this is strengthened by replacing 'may' with 'will' because shadow accounting is not relevant to acquisition accounting.

Section 4.4

The text in the first paragraph on page 16 states that the revised version of IFRS 3 does not require adjustment to assets and liabilities arising from previous business combinations. This is not consistent with the paragraph reference given and the wording of the standard and therefore the text should be updated to replace the word 'require' with 'allow'.

Section 4.5

The first paragraph of this section discusses accounting for business combinations that occurred before the adoption of IFRS. It notes that if IFRS 3 is not applied then presumably IAS 22 is applied. This is not correct, as this relates to accounting periods prior to adopting IFRS during which the entity will have applied its relevant generally accepted accounting principles to the accounting for business combination.

The text at the end of the third paragraph of this section notes that the elimination of assets and liabilities from the opening balance sheet is made by an adjustment to goodwill. We recommend that this is updated to state that the adjustment is made to retained earnings (or, if appropriate, another category of equity) as set out in IFRS 1 paragraph B2(c)(ii) except for intangible assets that are not recognised under IFRS as set out in IFRS 1 paragraph B2(c)(i).

The example included in the last paragraph on page 16 is unclear. It refers to amortised cost and effective interest rates, both of which are IFRS concepts, in discussing pre-IFRS accounting treatment. An entity reporting prior to the adoption of IFRS would have had scope to measure the liability in several different ways depending on the generally accepted accounting principles used to develop its accounting policies and this key fact is not reflected in this example.

We recommend that the guidance in this section be updated to highlight that subsequent measurement of assets and liabilities should conform to IFRS after the initial IFRS transition.

Section 4.8.3

We recommend the final sentence be expanded to include the words ‘from the acquisition date.’ at the end of the sentence to clarify the timing of the one year period.

Appendix A

The list of relevant IFRSs is incomplete. The following standards should be added to the list presented: IFRS 1, IFRS 3 (2004) and IAS 27 (2008).

Appendix C

The Actuarial Appraisal Method includes in the calculation of PVIF future investment income on assets. As this IASP is an educational document we recommend balancing this view on the treatment of future investment margins with the opposing view of the IASB as set out in IFRS 4 paragraph BC134 to BC144.

The paragraph commencing ‘It is worth noting...’ should be updated to include the condition that SA is equal to FVA, this is necessary to explain the transition between the equations set out.

Disclosure

1. *Does the ED draw sufficiently clear distinction between disclosure of accounting policy with respect to financial statements and disclosure of information to the practitioners' principal?*

   Yes, the ED appears to be focused on the disclosure of accounting policy with respect to financial statements.

2. *Is this topic appropriate for an IASP? If the answer is no, please suggest an alternative approach, such as a monograph.*

   We believe that an IASP is the appropriate method for meeting the IAA educational objectives. However we have recommended significant revision of the ED as explained in our covering letter.

   In addition we explained in our letter to you dated 30 March 2006 that the IASP could be enhanced by adding illustrative examples to the various explanations given. This recommendation has not been taken into account in the new ED.

   We attach as Appendix II to this letter an extract of our letter dated 30 March 2006.

3. *Are there other disclosure related issues that should be addressed here?*

   In our letter to you dated 30 March 2006 we noted a number of significant omissions, namely:

   - Guidance on the disclosure of terms and conditions of insurance contracts that have a material effect on the amount, timing and uncertainty of the insurer's future cash flows required by IFRS 4 p39A(b);
   - Discussion of disclosures of contracts with DPF, in particular disclosures on the equity and liability components of DPF; and
   - Guidance on the approach used by insurers on the mitigation of asset liability mismatching.

   We note that these significant matters and the majority of other matters we raised in our letter of 30 March 2006 in relation to this IASP have not been addressed in the Second Exposure Draft. As these points remain relevant we have attached them in Appendix II to this letter for your attention.

4. *Other comments.*

   Section 4.3.1.2

   On page 9 it is stated that the recognition and derecognition of amounts arising from insurance contracts are not a matter of accounting policy but of system functionality. We do not agree with this statement. IFRS 4 has a stated derecognition principle (IFRS 4 paragraph 14(c)) and insurers would develop systems to achieve their stated accounting policies for recognition rather than as suggested.

   Section 4.3.1.3

   On page 10 and 11 there is a reference to embedded value reported as supplementary information and as the basis for the sensitivity analysis under IFRS 4. The ED continues its discussion on embedded value to state that the basis for its calculation

should be included in the accounting policies of the insurer. This is not required under IFRS and we recommend deleting the entire paragraph referring to embedded value in the section that deals with the disclosure of accounting policies.

Section 4.4.3.2.2

IFRS 4 does not require the disclosure of the liquidity risk from insurance liabilities using their contractual maturities. Instead IFRS 4p39(d)(i) permits the use of an analysis based on the estimated timing of the net cash outflows and the ED should be amended accordingly.

All other sections

See other comments in Appendix II.

Appendix II – Extract of response sent to IAA dated 30 March 2006

Please note that all the paragraph references used in our 2006 comment letter are still applicable to the paragraphs of the second ED.

Disclosure of Information about Insurance Risk under International Financial Reporting Standards IFRS [2005]

The disclosure requirements in IFRS 4 have a major impact on financial reporting. Consequently, we welcome the development of guidance to assist actuaries in delivering professional services in this area.

Despite its title, the exposure draft is not limited to the disclosure of information about insurance risk but also relate to other matters such as the accounting policies for recognition and measurement of insurance liabilities and reinsurance assets. We welcome this extended scope, but recommend that it is reflected in the title of the ED.

On the assumption that the exposure draft will cover the wider IFRS 4 disclosure requirements we recommend that it also includes guidance on the disclosure of terms and conditions of insurance contracts that have a material effect on the amount, timing and uncertainty of the insurer's future cash flows required by IFRS 4p39(b).

19. *Does the preliminary ED draw a sufficiently clear distinction between disclosure of accounting policy with respect to financial statements and disclosure of information to the practitioners' principal?*

    The ED appears to be entirely focussed on the former aspect of the professional services offered by the practitioner. On that basis the distinction appears sufficiently clear.

20. Is this topic appropriate for a PG? If the answer is no, please suggest an alternative approach, such as a monograph.

    We believe that using an IASP is appropriate for the IAA educational objectives. To enhance the IASP we recommend adding illustrative examples to the various explanations given in the current draft. We have provided suggestions in the answer to question 22.

21. Are there other disclosure related issues that should be addressed here?

    We have noted in the cover letter the ED major omissions.

    In addition we have noted that the discussion of disclosures of contracts with DPF is very limited. Considering the recent IFRIC deliberation on DPF that reinforced the need for extensive disclosures on this matter we would have expected more guidance in this area. Particularly important are the disclosures on the equity and liability components of DPF.

    Finally we recommend adding guidance on the approach used by insurers on the mitigation of asset liability mismatching. Disclosures based on the asset liability management adopted by an insurer are very relevant in addressing the interaction between insurance and financial risks and are also aligned with the principles that informed the IASB in its finalisation of IFRS 7.

22. Other comments.

Section 4.1

The reference to disclosure accounting policy in the second sentence of the second paragraph is unusual. The term accounting policy in IFRS refers to recognition and measurement and is not associated with the approach to disclosures where a company follows the requirements of IFRS.

It should be clarified what is intended with this wording. The last paragraph of 4.3.1 also refers to disclosure as an accounting policy.

In the last paragraph of 4.1 there is a comment on the place of Implementation Guidances in the IFRS Hierarchy. It should be made clear that discretion is allowed in the way the information is presented but that full compliance with the principles and details in IFRS (and illustrated in the Implementation Guidance) is required.

Section 4.2

The ED indicates that "only risks associated with significant uncertainty as to future cash flows are usually described in detail and provided in quantitative terms." We recommend changing this sentence to emphasise that a balance between quantitative and qualitative information is required when disclosures are prepared. As currently drafted the guidance given is less demanding than the text of IFRS 4 and might lead some to non-compliance.

The last paragraph of this section should clarify that the appropriate judgment is to consider materiality gross of reinsurance. The last sentence of this paragraph is also unclear as it refers to an accounting policy when considering materiality.

Section 4.3.1.3

This section does not explain why it is important to describe the valuation methodology utilised to measure insurance liabilities. This is particularly important in the IFRS 4 reporting regime where recognition and measurement are based on local GAAP and only clear disclosures should allow investors to compare insurers in different territories. The section also does not describe which elements should be included in the accounting policies for example how does the valuation adjust for uncertainty. It should also highlight the fact that critical accounting estimates and assumptions should be disclosed as required by IAS 1 paragraph 116.

Section 4.3.2

This section sets out all the information which should be included on the face of the balance sheet but no mention is made of the information required on the face of income statement.

In relation to reinsurance we noted the following sentence "To the extent that it can be demonstrated that amounts paid by the REINSURER are recoveries of acquisition cost related to the ceded portion of the business, these amounts can be disclosed as related to acquisition cost, rather than as gains or loss."

This is not a statement from IFRS 4. Local GAAP would determine the treatment. We suggest clarifying it in the final IASP.

This section could also explain the requirement of IAS 1 paragraph 51 to disclose the current/non-current split of liabilities and the requirements of paragraph 52 when the reported amounts in a balance sheet line combine insurance liabilities that are expected to be settled before and after the twelve months period following the balance sheet date. The guidance could explain how to provide this disclosure in the context of the financial risk disclosures required by IFRS 4 paragraph 39 (d) and (e).

Section 4.3.4

This section could address how the requirements could be complied with when the insurer uses a retrospective type of valuation approach.

Section 4.3.5.3

Other intangibles such as PVIF and VOBA could also be discussed here.

Section 4.4

We recommend addressing in this section the level of aggregation that an insurer should consider when disclosing risk. For example risks on an annuity product (longevity) are completely different to risks from a term assurance product (mortality) and should not be aggregated for risk disclosure purposes.

Section 4.4.1

This section contains the following sentence "In any case, disclosures can provide information relating to how the insurer monitors the retained risk after all mitigating effects, such a risk monitoring, product design, and underwriting."

We recommend that the ED expands this section with examples of the mitigation and monitoring process e.g. models used, types of sensitivity analysis, use of stress testing, valuation techniques etc.

Section 4.4.2.1.1

It would be useful to include in this section some examples of accounting mismatch like that arising from treasury shares held in funds backing linked-insurance liabilities.

Section 4.4.2.1.3

In our experience the disclosure of this information (e.g. the fair value of internally generated goodwill or other assets that cannot be fair valued under IFRS outside a business combination) could make the financial statements less clear. If the guidance intends to cover this additional information we recommend explaining that it should be clearly defined because it is not required by IFRS.

The section also refers to fair values of insurance liabilities. This is a concept that is not yet defined in IFRS except for business combinations involving insurance contracts. We recommend reconsidering this section in the light of the accounting improvements that an insurer can achieve by changing its accounting policies under IFRS 4 paragraph 22.

Section 4.4.3

This section includes the following sentence: "However, the implementation guidance in IFRS 4, IG51(b) limits the extent of that differentiation."

We could not understand the meaning of this sentence.

Section 4.4.4

The heading of this section states that it deals with interest rate and credit risk. The detailed guidance in the section does not explain credit risk.