

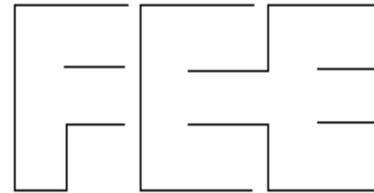
Date
30 April 2008

Le Président

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des Experts
Comptables
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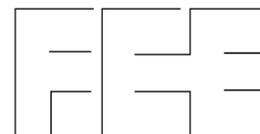


Email: secretary.general@actuaries.org

Dear Sir,

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

1. FEE (Fédération des Experts Comptables Européens - Federation of European Accountants) welcomes the opportunity to comment on the Second Exposure Drafts of Potential IAA Standards regarding International Financial Reporting Standards.
2. FEE acknowledges the benefits of the IAA developing guidance with a view to establishing globally consistent actuarial practice for its members when they are providing professional services to undertakings preparing financial statements in accordance with International Financial Reporting Standards – IFRSs. It is appropriate to consider the context within which financial statements are prepared and the different responsibilities in relation to their presentation and preparation.
3. Our letter and comments in response to the questions posed by the IAA on the exposure drafts do not seek to address all issues, which might be highlighted by a more thorough technical review. We are concerned however that in the Disclosure paper there are a number of instances where the user of the exposure draft might be persuaded that requirements set out in the IFRS are optional. We note that whilst obtaining information from systems may not always be straightforward, that is not an acceptable reason for non-disclosure where required by an accounting standard. Similarly the idea that materiality can be used to justify non-disclosure of information is one which should be carefully considered on a case-by-case basis. It should not be overemphasised (as we consider is currently the case in the exposure draft) that materiality may allow non-disclosure. That should be left to each entity to determine.
4. In the paper on Business Combinations we found the drafting both confusing and in a number of instances, technically questionable. We have highlighted a few examples in our specific comments below but have not sought to redraft the exposure draft to address the current anomalies. We recommend that a thorough review of the draft be considered by a specialist proofreader to make the English more understandable and by a specialist in the interpretation of IFRS to ensure the correctness in use of technical terms.
5. We have the following specific comments on the Second Exposure Draft of Potential IAA Standards on Business Combinations under International Financial Reporting Standards.



Comments on Second Exposure Draft of Potential IAA Standards on Business Combinations under International Financial Reporting Standards

Intangible assets arising from the expanded presentation permitted by IFRS 4

Value of In-force for long duration contracts

6. Regarding the non prohibition - until the IASB adopts a new standard - against using practices commonly found in the analysis of value related to transactions involving insurance contracts (as detailed on page 9 of the Second Exposure Draft of Potential IAA Standards on Business Combinations), we believe that it should be made clearer what the objective of IFRS 4 is with this respect; namely to measure the insurance contracts assumed within a business combination at their fair value. The practices referred to (e. g. embedded values) may be acceptable as a proxy. However, we believe that it should be avoided suggesting that any practice per se is allowed.

Value of Reserves Guarantees

7. On page 11 of the Second Exposure Draft of Potential IAA Standards on Business Combinations, it is specifically stated, "*the actuary may wish to treat the guarantee as a reinsurance asset*". However, we draw your attention to the scope of IFRS 4 that specifically excludes contingent considerations payable or receivable in a business combination, and hence that IFRS 4 shall not apply to these (please refer to paragraph 4 of IFRS 4).

Other intangible assets

Customer Relationships and Customer List – Long Duration Contracts

8. On page 12 of the Second Exposure Draft of Potential IAA Standards on Business Combinations, it is specifically stated, "*selling unrelated contracts to existing customers are usually included in a PVIF. Rather, they are usually measured separately or are included in goodwill*".
9. However, we would like to highlight that under existing IFRS, there is no option to include a customer relationship and customer list in goodwill, provided its fair value can be measured reliably (please refer to the Illustrative Example 4 under IFRS 3 that applies by analogy to long duration contracts).

We would be pleased to discuss any aspect of this letter with you.

Yours sincerely,

Jacques Potdevin
President

Ref: INS/JP/LF