

## CEA comments on IASB proposed revision of IAS 39

*European insurers welcome some proposals, raise issue with others*

*Brussels, 11 September 2009:* The CEA, the European insurance and reinsurance federation, has set out concerns over certain elements of the proposed revision of International Accounting Standard (IAS) 39 by the International Accounting Standards Board (IASB). IAS 39 covers the classification and measurement of financial instruments.

As some of the largest institutional investors, insurers are not only preparers of, but also significant users of, financial statements. As such, they broadly support the efforts of the IASB to simplify IAS 39 but have some key concerns about the IASB's proposals as set out in its exposure draft.

"Our concerns are mainly related to areas where the proposals do not reflect the business model of insurers," said Alberto Corinti, deputy director general of the CEA. "We believe, for example that unrealised gains or losses recorded in other comprehensive income (OCI) should be recycled through the profit and loss account on realisation, as in the "available for sale" category under the current IAS 39."

In its comments to the IASB, the CEA also stresses the need for compatibility between the revision of IAS 39 and the IASB's work on a final standard, IFRS 4 Phase II, for insurance contracts. "We would urge the IASB to work concurrently on IAS 39 and IFRS 4 Phase II, and to align the timetables of these two projects," said Corinti.

The CEA is broadly supportive of the mix measurement approach proposed by the IASB, which is based on a mixture of the characteristics of the financial instrument and the company's business model.

"While we support an economic market-consistent balance sheet and, accordingly, we recognise the merits of market-consistent values for financial instruments, we believe that there are business models or circumstances that justify the use of amortised cost," said Alberto Corinti, deputy director general of the CEA. "Nevertheless, we have significant issues with the proposed classifications for financial instruments and their implication on valuation."

A copy of the [CEA letter](#) is attached.

### Background

IAS 39 establishes the principles for recognising and measuring financial assets and liabilities. The IASB's project to replace IAS 39 aims to improve the usefulness of financial statements for users mainly by simplifying the classification and measurement requirements for financial instruments.

The IASB's project plan consists of three phases (classification and measurement, impairment methodology and hedge accounting). It published its exposure draft on the first phase on 14 July 2009. It expects to finalise this phase in time to allow, but not require, early application for 2009-year end financial statements.

*-Ends-*

#### **Notes for editors**

1. For further information please contact Janina Clark, head of communications & PR (tel: +32 2 547 5812, [clark@cea.eu](mailto:clark@cea.eu)).
2. Copies of all CEA press releases are available on the CEA's website ([www.cea.eu](http://www.cea.eu)).
3. The CEA is the European insurance and reinsurance federation. Through its 33 member bodies - the national insurance associations - the CEA represents all types of insurance and reinsurance undertakings, eg pan-European companies, monoliners, mutuals and SMEs. The CEA, which is based in Brussels, represents undertakings that account for approximately 94% of total European premium income. Insurance makes a major contribution to Europe's economic growth and development. European insurers generate premium income of €1 100bn, employ more than one million people and invest over €6 800bn in the economy.