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Paris, the 25th November 2013

Chairman
JH
n°109

Mr Hans HOOGERVORST
Chairman

IASB
30 Cannon Street
LONDON EC4M 6XH
UNITED KINGDOM

Re : ED/2013/7 Insurance contracts

Dear Mr Hoogervorst,

I am writing on behalf of the Autorité des Normes Comptables (ANC) to express our views on the above-mentioned Exposure-Draft. These views result from the ANC's due process which involves meetings with a dedicated working group, followed by an examination by its IFRS Commission and then by its Collège (Board).

The ANC welcomes this renewed opportunity to comment on the IASB's modified proposals.

The ANC has expressed, in its previous comment letters, its disagreement with a number of fundamental aspects of the IASB's proposals as regards insurance contracts and the necessity for accounting standards to not create undue volatility as well as to appropriately depict an entity's business model.

1. **In this context, like many other stakeholders, the ANC is appreciative of the efforts made by the IASB in attempting to address some of the major concerns regarding its proposals in the previous Exposure-Draft raised by the ANC and take into account some proposals we made at the time, amongst which**:
   - The unlocking of the contractual service margin ;
   - The measures proposed to reduce volatility in profit or loss, including the locking in of the discount rate at inception with the recognition in OCI of the difference of interest rate between inception and the reporting date, and the reopening of IFRS 9 on which we have commented earlier this year ;

- The measures proposed to reduce accounting mismatches with the objective of a mirroring approach for participating contracts to reflect the linkage and dependency between assets and liabilities as per the entities' business models.

2. **However, major issues have still not been resolved and should still be discussed. They revolve around the two main themes: volatility and undue complexity.**

   2.1 The current project does not allow for a proper reflection in the accounts of the underlying economic activity and performance of the entity in order to provide decision-useful information to users as it neither appropriately depicts the insurers' business model nor achieves the objective of not creating undue volatility.

   a. <u>The proposed mirroring approach, whilst being an interesting and welcome development, does not faithfully represent the asset/liability management business model of insurers.</u>

   The breakdown of the expected cash flows in three categories depending on how they more or less directly or don't vary with the related assets is not how insurers manage their business and as such brings about undue complexity. The ED proposals would lead to an arbitrary and artificial breakdown of cash flows that insurers would find difficult to explain to users, with a risk of even further than hitherto disconnecting financial reporting from financial communication. In addition, as regards the accounting treatment proposed for the changes in value related to the time value of options and guarantees, not only is it not representative of the long-term performance of insurers but it will also generate unwarranted volatility in profit or loss. These issues are all the more significant given the fact that, subject to being certain of the participating contracts that would fall within the scope of the mirroring approach, such contracts represent the most material liability for the French life insurance industry with equally material portfolios of assets backing them like for most of other insurance industries in Europe and worldwide.

   b. <u>The proposed presentation of the statement of income does not allow for an appropriate depiction of companies' performance.</u>

   The revised proposals regarding the proposed presentation of the statement of income consist in projecting all expected future premiums over time based on a theoretical notional allocation of the insurance liability and therefore of the revenue generated from these insurance liabilities after excluding the investment component from insurance contract revenue whereas in the measurement of the insurance contract, the investment component is not unbundled as it is not distinct but highly interrelated with the insurance component. This, in addition to contradicting the principle of considering the insurance contract as a whole for the liability, adds undue complexity. The ANC understands users' needs for some volume data, and considers these should be provided in the notes. The ANC has previously expressed support for other presentation approaches, such as the one proposed in the previous exposure-draft, that would identify and more faithfully represent the underlying earnings of the insurance business, especially in the context of long term contracts including participating contracts.

   c. <u>The measurement of insurance liabilities is not fully consistent with the underlying cash flows and services arising from insurance contracts.</u>

   When it comes to the contractual service margin, it follows that it should be amortised over the claims handling period and not only over the coverage period as proposed in the ED and that changes in the risk margin related to future coverage should be imputed on the contractual service margin similarly to their underlying, the changes in the expected cash flows, and not directly in the statement of income as proposed in the ED.

d. The discount rate should reflect the economics of the insurance contracts within the insurers' business model. The ANC notes that the IASB has not addressed its conceptual concerns around the discount rate proposed in the 2010 ED, in particular how and if illiquidity should be considered. The ANC encourages the IASB to consider this issue further before finalising the standard in conjunction with potential adjustments and evolutions to its proposals: suitable solutions, including in terms of disclosures, will have to be found which appropriately help understand the mechanisms and assumptions made by the insurers as regards the discount rates applied to measure insurance contracts.

2.2 As a result, the proposals will be complex and preparers will likely be faced with significant application and implementation issues, requiring, in addition, significant changes of their information systems:

While the IASB has achieved considerable improvement in many areas of the proposed standard as compared with the initial Exposure Draft (as described above in 2.1a), the mirroring approach that is being proposed is overly complex to the extent that the vast majority of insurers have been unable to field test it, and those who have tried to test it were unable to do so without arbitrary assumptions. The arbitrary, artificial and unduly complex decomposition of the cash flows will most likely lead to significant interpretation issues, to the detriment of the awaited improved comparability. Finally, as the proposed mirroring approach would not enable insurers to portray their business model, the attained comparability will be artificial in that it will not enable users to analyse the effects of differing business models. The theoretical notional allocation of the insurance liability required in terms of revenue (as mentioned above in 2.1b) is equally unduly complex.

The ANC therefore strongly disagrees with the IASB's assessment that the benefits of the proposals for users would outweigh the costs for preparers. Indeed, the ANC understands that any new model for accounting for insurance will certainly necessitate considerable investment in robust accounting systems and reporting processes developments in order to collect and calculate the information required to comply with the proposed models. However such investment will be justified only if the benefits of the proposals would outweigh the costs. The ANC does not believe that this will be the case with regard to the requirements of the Exposure Draft ; the benefits of which for users still remain uncertain as explained above.

In view of the above, the ANC therefore considers that further work is needed to reach an appropriate solution. We therefore urge the Board to continue to work to identify the appropriate accounting treatment(s) that best portray, and in a prudent and reliable way, the long term business model and performance of insurers driven by the linkage between assets and liabilities, taking into account the specificities of their contracts, whilst not creating undue complexity and volatility in the income statement.

Insistence on prudence, reliability and the business model are critical: they obviously resonate with demands stemming from many quarters in the context of the discussion about the Conceptual Framework. It would be surprising not to apply these requirements to such a critical project as insurance accounting.

There is potentially a number of proposals, none of which have been fully tested, that could be considered, which range from a cost/cost model with current information in the notes, to more complex models and concepts designed to limit undue volatility such as a fair value/current value model, and intermediate solutions such as OCI for both sides of the balance sheet, using a fully unlocked margin approach and an asset return based discount rate approach and/or a combination of different solutions or variants thereof.

With considering such proposals, the ANC considers that the Board will indeed have accomplished a major step in improving financial reporting if, from a starting point of an array of different (because national) accounting treatments, it finds a solution based on differing accounting treatments that are rationalised because reflecting the economics and performance of different types of contracts and the related different asset/liability management business models.

Given the objectives stated above (which should be part of the IFRS conceptual framework) and the general objective of financial stability, together with the impact on our economy, **we believe that in order to move to acceptable solutions the IASB should :**

- Demonstrate, as part of an impact analysis, where and how its proposals are a ssufficient improvement to warrant the costs that will be incurred, compared to existing accounting treatments applied under IFRS 4 such as : the projection of cash flows based on a discount rate locked in at inception avoiding to pollute the performance by undue volatility ; accounting principles targeted, as opposed to a focus on the balance sheet , towards the establishment of a credible net income, which is prominent in the context of the longest term segment of the economies ; as well as to other proposals put forward by various constituents.
- It being understood that any departure from the approach referred to above will be made at the cost of undue volatility and undue complexity, the IASB will have to be ready to see its proposals subjected to thorough and extensive field testing, unlike what has been performed to date; there may be hope in constructive outcomes if the discussions do not lead to a bargaining of a set of highly technical parameters without clear consistency, but rather if they go in the direction of respecting some key yet neglected key principles – starting with reliability and prudence – mentioned above ;
- base any new proposals starting from the exact content of contracts, as this is paramount. We do not have the impression that the specificities of the contracts and of the way they are managed have been factored in the project with a full appraisal of accounting consequences, as opposed to the attempt of identifying at all costs a common denominator where there may be none;
- take account of the issues at stake in this endeavour which go far beyond accounting, as you know the weight of insurance companies and their role in financing our economies is significantly more important than in other countries or regions.

The ANC stands ready to assist the IASB in this respect.

Our detailed comments as regards the questions specifically asked by the IASB are set out in the attached Appendix 1.

Yours sincerely,

Jérôme HAAS

Appendix 1 : Comments on the questions set out in the ED 2013-07

Question 1—Adjusting the contractual service margin

Do you agree that financial statements would provide relevant information that faithfully represents the entity's financial position and performance if differences between the current and previous estimates of the present value of future cash flows if:

a) differences between the current and previous estimates of the present value of future cash flows related to future coverage and other future services are added to, or deducted from, the contractual service margin, subject to the condition that the contractual service margin should not be negative; and

b) differences between the current and previous estimates of the present value of future cash flows that do not relate to future coverage and other future services are recognised immediately in profit or loss?

Why or why not? If not, what would you recommend and why?

The ANC welcomes the revised proposals of the IASB for not locking the contractual service margin

In our comment letter to the initial ED on Insurance contracts issued in July 2010 the ANC recommended that the IASB investigates a prospective adjustment of the residual margin (now known as the contractual service margin). Consistently with the definition of the contractual service margin set up in the ED, that is expected future profits to be recognised when the services are provided by the insurers over the life of the contracts, we welcome the IASB's revised proposals that the contractual service margin should prospectively be adjusted for the difference between the current and previous estimates of future cash flows related to future coverage and other future services provided that the contractual service margin should not be negative.

However, the ANC considers that the contractual service margin should also be adjusted to reflect the changes in the risk adjustment

However, in our previous comment letter we recommended that the IASB should develop a subsequent measurement model in which the contractual service margin is prospectively adjusted for the changes in future estimates and risk adjustment so as to continue to reflect the expected profit of the contract at the reporting date and thus as from the initial recognition of the contract.

We note that in BC 32 the IASB considers that the contractual service margin would not be adjusted to reflect the effects of changes in the risk adjustment.

We consider that adjusting the contractual service margin to reflect changes in the estimates of the risk adjustment associated with future coverage will better reflect a current estimate of the insurance contract since the measurement model is based on the measurement of the uncertainty of the future cash flows.

Therefore, we do not support the proposal for not adjusting the contractual service margin for changes in the risk adjustment.

The ANC still believes that the contractual service margin should be released over both the coverage and claims handling periods

Furthermore, the ANC still believes that contrary to what is stated in § 32, the contractual service margin should be released over both the coverage and claims handling periods for the following reasons:

- the insurer is providing services to the policyholder over both the coverage and claims handling periods, especially for non-life insurance contracts as the services provided by the insurer to the policyholder in order to fulfil its obligation to cover a claim and to handle it until its ultimate settlement due to the contractual obligations are not interrupted by the expiry of the coverage period ;
- the fulfilment cash flows and the risk adjustment are projected and remeasured over the coverage and claims handling periods.

The ANC considers that for participating contracts it is not relevant to exclude some services provided under the contract to the adjusting of the contractual service margin.

When it comes to participating contracts, we understand that the services provided by the insurer may cover a range of services which include the share of the returns on underlying items between policyholders and shareholders. We consider that this issue needs further consideration before finalising the standard in order to appropriately reflect the performance of participating contracts in profit or loss when services including participation in asset performance are provided over the life of the contracts.

The ANC notes that the ED does not explicitly address the way to recognise future favourable changes in estimates when the contractual service margin has been fully exhausted

If the ED is clear that the contractual service margin should be adjusted for both favourable and unfavourable changes in estimates of the future cash flows that relate to future coverage and other futures services, the ED does not explicitly address the way the contractual service margin should increase once that contractual service margin has been fully exhausted.

The ANC considers that the favourable adjustments of the contractual service margin should be recognised in profit or loss up to the losses that have been previously recognised in profit and loss when the contract became onerous both at inception and subsequently.

Question 2 — Contracts that require the entity to hold underlying items and specify a link to returns on those underlying items

If a contract requires an entity to hold underlying items and specifies a link between the payments to the policyholder and the returns on those underlying items, do you agree that financial statements would provide relevant information that faithfully represents the entity's financial position and performance if the entity:

(a) measures the fulfilment cash flows that are expected to vary directly with returns on underlying items by reference to the carrying amount of the underlying items?

(b) measures the fulfilment cash flows that are not expected to vary directly with returns on underlying items, for example, fixed payments specified by the contract, options embedded in the insurance contract that are not separated and guarantees of minimum payments that are embedded in the contract and that are not separated, in accordance with the other requirements of the [draft] Standard (ie using the expected value of the full range of possible outcomes to measure insurance contracts and taking into account risk and the time value of money)?

(c) recognises changes in the fulfilment cash flows as follows:

(i) changes in the fulfilment cash flows that are expected to vary directly with returns on the underlying items would be recognised in profit or loss or other comprehensive income on the same basis as the recognition of changes in the value of those underlying items;

(ii) changes in the fulfilment cash flows that are expected to vary indirectly with the returns on the underlying items would be recognised in profit or loss; and

(iii) changes in the fulfilment cash flows that are not expected to vary with the returns on the underlying items, including those that are expected to vary with other factors (for example, with mortality rates) and those that are fixed (for example, fixed death benefits), would be recognised in profit or loss and in other comprehensive income in accordance with the general requirements of the [draft] Standard?

Why or why not? If not, what would you recommend and why?

The ANC has serious concerns with the development of the "mirroring approach" as designed in the ED

The ANC welcomes the development of requirements which intention is i) to address the linkage between assets and liabilities in reporting performance and ii) to eliminate accounting mismatches where the cash flows and the underlying items are economically matched especially for participating contracts.

However, the ANC has serious concerns with the development of the "mirroring approach" as designed by the IASB in § 33, 34 and 66 of the 2013 ED.

This is all the more significant given the fact that participating contracts represent the most material liability for the French life insurance industry with equally material portfolios of assets backing them, like for most of other insurance industries in Europe and worldwide.

Firstly, it is unclear whether the scope of the contracts that may qualify for the mirroring approach as defined in B83-B84 will cover all contracts for which the need to reflect in performance reporting the dependency of assets and liabilities when cash flows are economically matched is relevant, as for instance in the case of insurance contracts for which there are no requirement to hold the underlying items. The ANC considers that all participating contracts based on very similar economic characteristics should be accounted for in the same way, regardless of whether they meet the formal criteria set up by the ED.

Beyond that point, the ANC firmly rejects the proposals set out in § 66, B85, B86 which imply to breakdown a single contract subject to the mirroring approach in three categories of cash flows depending on how they more or less directly or don't vary with the underlying items with specific measurement and presentation requirements for the following reasons :

- The breakdown implies to bifurcate and value separately cash flows in an artificial way which has absolutely nothing to do with the way the contract has been designed to operate ;
- Options and guarantees embedded in insurance contracts are an integrated part of the probability-weighted cash flows, separate measurement of options and guarantees embedded in the contract from the probably–weighted estimate of future cash flows is not practicable and cannot be calculated without taking into consideration all the cash flows. In addition, the accounting treatment proposed as regards the cash flows related to changes in the time value of options and guarantees creates undue artificial volatility in profit or loss which is not representative of the long-term performance of insurers ;
- Contrary to the proposals set out in the ED, it is not possible to determine the cash flows that are expected to vary directly with returns on underlying items in a stable portion of the assets as for the majority of contracts this portion would actually change over the life of the contract.

Consequently, the breakdown required by "the mirroring approach" leads to an artificial, unduly complex and arbitrary breakdown of cash flows that will not enhance the usefulness of the financial statements ; to the contrary such undue complexity would make it impossible for insurers to explain their business to users using IFRS, with a risk of further than hitherto disconnecting financial reporting with financial communication.

The ANC urges the IASB to consider alternative solutions to the mirroring approach proposed by the ED

In view of the above, the ANC is of the view that further work is needed by the IASB to appropriately reflect insurers' business model. The ANC urges the IASB to consider alternative approaches in developing solution(s) that would more appropriately reflect in performance reporting the long term business model driven by the linkage between assets and liabilities.

There is potentially a number of proposals that could be considered to limit undue volatility, which range from a cost/cost model with current information in the notes, to more complex models and concepts as a fair value/current value model, and intermediate solutions such as OCI for both sides of the balance sheet, using a fully unlocked margin approach and an asset return based discount rate approach and/or a combination of different solutions or variants thereof.

With considering such proposals, the ANC considers that the Board will indeed have accomplished a major step in improving financial reporting if, from a starting point of an array of different (because national) accounting treatments, it finds a solution based on differing accounting treatments that are rationalised because reflecting the economics and performance of different types of contracts and the different asset/liability management business models.

Question 3—Presentation of insurance contract revenue and expenses

Do you agree that financial statements would provide relevant information that faithfully represents the entity's financial performance if, for all insurance contracts, an entity presents, in profit or loss, insurance contract revenue and expenses, rather than information about the changes in the components of the insurance contracts?

Why or why not? If not, what would you recommend and why?

In our comment letter to the initial 2010 ED, the ANC has previously expressed support for the summarised margin approach which is consistent with the proposed measurement model in the statement of financial position and which provides users with useful information.

We consider that the 2013 revised proposals of projecting all expected future premiums over time are based on a theoretical notional allocation of the insurance liability and therefore the revenue generated from these insurance liabilities, especially in the context of long term contracts including participating contracts is also based on a theoretical notional concept.

We are concerned that the proposals imply to exclude the investment component from insurance contract revenue whereas in the measurement of the insurance contract, the investment component is not unbundled. We are of the view that in addition to contradicting the principle of considering the insurance contract as a whole for the liability this presentation will introduce undue complexity and arbitrary assumptions in order to split components that are not distinct and highly interrelated with the insurance component.

We question whether this presentation will be useful for and benefit to users compared to the undue cost which will be necessary for preparers to implement this new approach which has nothing in common with any concepts that are currently used to recognise insurance contract revenue.

Nevertheless, we agree that information about premiums, claims and expenses particularly for non-life business may be useful to users of financial statements (such as volume information or information needed for the determination of the key performance indicators and performance metrics). We consider that such information should therefore be included in the notes.

In this respect, we reiterate our previous position of being in favour of the summarised margin approach with quantitative disclosures.

Question 4—Interest expense in profit or loss

Do you agree that financial statements would provide relevant information that faithfully represents the entity's financial performance if an entity is required to segregate the effects of the underwriting performance from the effects of the changes in the discount rates by:

(a) *recognising, in profit or loss, the interest expense determined using the discount rates that applied at the date that the contract was initially recognised. For cash flows that are expected to vary directly with returns on underlying items, the entity shall update those discount rates when the entity expects any changes in those returns to affect the amount of those cash flows; and*

(b) *recognising, in other comprehensive income, the difference between:*

(i) the carrying amount of the insurance contract measured using the discount rates that applied at the reporting date; and

(ii) the carrying amount of the insurance contract measured using the discount rates that applied at the date that the contract was initially recognised. For cash flows that are expected to vary directly with returns on underlying items, the entity shall update those discount rates when the entity expects any changes in those returns to affect the amount of those cash flows?

Why or why not? If not, what would you recommend and why?

In our comment letter to the initial 2010 ED, the ANC has previously recommended that the IASB should investigate solutions, coupled with a prospective adjustment of the contractual service margin for the futures changes in estimates that would eliminate the undue volatility in the income statement which does not appropriately reflect the time horizon of insurance liabilities.
One of the solutions mentioned in our previous comment letter was to present in OCI, separately from the income statement, the changes in value of the insurance liabilities due to the changes in the discount rate and the changes in the value of the backing financial assets, with recycling through the income statement, should the insurance contracts and these financial assets be measured on a current value basis.
Therefore, we welcome the IASB's proposal to segregate the effects of the changes in the discount rate in OCI so that profit or loss is not obscured by short-term movements in discount rates.
However, whilst progress has been made with the revised insurance contracts ED, we emphasise that an appropriate interaction between the accounting for insurance liabilities and the accounting for assets held by insurers backing their liabilities is essential to convey relevant information about the insurers' performance.

The ANC considers that the current proposals in the ED when taken together with the proposals for IFRS 9 still do not adequately achieve this objective.

The ANC reiterates its comments made on IASB ED 2012/4 Classification and measurement: limited amendments to IFRS 9 :

- We still believe that the third category at fair value through OCI proposed by the IASB should not be limited only to basic debt instruments. The extension of this category FV-OCI to all financial instruments (which would include derivatives) is fundamental to insurance companies as they invest in different types of financial instruments which are managed globally in relation with the time horizon of their obligations towards policyholders so as to appropriately reflect their asset liability management business model and their long term performance ;

- The prohibition of recycling between OCI and profit & loss for equity instruments will result in a misrepresentation of the performance of entities in the income statement.

Beyond our previous general comments on the asset side, as mentioned in our answer to question 2, the ANC is of the view that further work is needed by the IASB to appropriately portray, and in a prudent and reliable way, the long term business model and performance of insurers, taking into account the specificities of their contracts, whilst not creating undue complexity and volatility in the income statement.

Question 5—Effective date and transition

Do you agree that the proposed approach to transition appropriately balances comparability with verifiability?

Why or why not? If not, what do you suggest and why?

In our comment letter to the initial ED Insurances contracts issued in July 2010 the ANC strongly disagreed with the proposal to not calculate any residual margin (now known as the contractual service margin) at the date of transition.

Therefore, we welcome the IASB’s revised proposals for a retrospective application which is a key approach to enable appropriate future trend / comparative information about the performance of existing and future contracts after the date of transition.

However, as highlighted in our answer to question 4, the interaction of the insurance standard with the implementation of IFRS 9 is a critical and vital aspect. We still believe that IFRS 9 and IFRS 4 phase 2 should be applied mandatorily at the same date, earlier application being allowed. Otherwise the usefulness of financial reporting in the period between IFRS 9 and IFRS 4 adoptions will be put into question as preparers and users will experience two major changes in short succession with very significant consequences in view of how insurers run their business.

In addition, as mentioned in our answer to question 2, the ANC is of the view that further work is needed by the IASB to appropriately reflect the insurers’ business model. Should the mandatory application dates of IFRS 9 and IFRS 4 phase II not coincide, entities should be able to revisit the accounting policies adopted upon initial application of IFRS 9 when implementing later the new IFRS 4 phase 2.

Question 6—The likely effects of a Standard for insurance contracts

Considering the proposed Standard as a whole, do you think that the costs of complying with the proposed requirements are justified by the benefits that the information will provide? How are those costs and benefits affected by the proposals in Questions 1–5?

How do the costs and benefits compare with any alternative approach that you propose and with the proposals in the 2010 Exposure Draft?

Please describe the likely effect of the proposed Standard as a whole on:

(a) the transparency in the financial statements of the effects of insurance contracts and the comparability between financial statements of different entities that issue insurance contracts; and (b) the compliance costs for preparers and the costs for users of financial statements to understand the information produced, both on initial application and on an on going basis.

The feedback received from the constituents of our insurance working group who were involved in a process to try to field test the new proposals stress that the implementation of the proposals would introduce substantial complexity and associated compliance costs without providing appropriate financial information for users in particular with respect to the followings areas:

- the proposals for participating contracts
- the presentation of revenue especially for the life insurance industry

The ANC is of the view that the new proposals add another layer of undue complexity to the inherent complexity of the insurance business.

As a general comment we do not have the impression that the specificities of the different economics of insurance contracts and insurer's business model that exist in practice have been factored in the project with a full appraisal of accounting consequences, as opposed to the attempt of identifying at all costs a common denominator where there may be none.

Question 7

Do you agree that the proposals are drafted clearly and reflect the decision made by the IASB? If not, please describe any proposal that is not clear. How would you clarify it?

Regardless of the criticisms already raised on the proposals of the exposure draft in our answers to the previous questions, we are not confident that the proposals as drafted in the exposure draft can achieve the objective to be consistently understood, interpreted and applied.

Indeed, our finding is that constituents of our insurance working group (which is composed by preparers, auditors, regulators, supervisors involved in the insurance industry for a long time) have spent a considerable amount of time to understand how the proposals of the exposure draft set out in several parts of the ED (the standard itself, the application guidance, the basis for conclusions and the illustrative examples) would interactwith each other within the overall model. This issue is even more relevant when it comes to understanding how the exceptions made for contracts eligible for the "mirroring approach" should be articulated with the general model.

In this context, we stress that before finalising the final standard, the IASB will have to be ready to see its proposals as a whole subjected to thorough and extensive field testing, unlike what has been performed to date.

Additional comments

The discount rate should reflect the economics of the insurance contracts within the insurers' business model. The ANC notes that the IASB has not addressed its conceptual concerns around the discount rate proposed in the 2010 ED, in particular how and if illiquidity should be considered. The ANC encourages the IASB to consider this issue further before finalising the standard in conjunction with potential adjustments and evolutions to its proposals: suitable solutions, including in terms of disclosures, will have to be found which appropriately help understand the mechanisms and assumptions made by the insurers as regards the discount rates applied to measure insurance contracts.

With regard to disclosure requirements, in the paragraph 83.b, the ED prescribes that an entity shall disclose the methods and inputs that are used to estimate discount rates and this could be the basis to also require the disclosure of the single elements that would be added (in the bottom-up approach) or deducted (in the top-down approach) to get to the final discount rate. In addition, it would be useful that insurers disclose the extrapolation method they use.