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PRESS RELEASE

INTERNATIONAL FINANCIAL REPORTING STANDARDS

“The unlimited fair value option should be maintained in IAS 39”

says CEA President Gérard de La Martinière

Since 1 January 2005, international financial reporting standards are effectively applicable to EU listed companies. And yet, the **uncertainty surrounding accounting rules** for quoted insurers remains. The latest turmoil derives from the **fair value option within IAS 39** which provides for the possibility of measuring financial assets and liabilities at fair value with the movement from one period to another recorded through the profit and loss account.

Both the IASB Exposure Draft of April 2004 and the “carved out” version of IAS 39 which the European Commission endorsed in November already limited the circumstances in which the fair value option could be applied for financial liabilities. This was done mainly at the request of banking regulators.

Now, following broad disagreement, the **IASB has developed a new preliminary approach** to find a solution suitable for the various interested parties. CEA welcomes the more principles-based approach but regrets that it **would restrict the fair value option for both financial assets and liabilities**. CEA supports the principle of retaining the unlimited fair value option in IAS 39.

Most **European insurers make frequent use of this option** for both financial assets and liabilities as a tool for providing more relevant information and simplifying the processes. They have been preparing for IAS 39 in the version including the unlimited fair value option. Such a fundamental U-turn would pose **major changeover difficulties**.

*“For the sake of certainty, it is of critical importance to **have a revised IAS 39** in place and fully endorsed by the European Commission **as soon as possible**”, CEA President Gérard de La Martinière said today. **“CEA will continue to actively participate in discussions with the IASB and the European Commission to search for workable and adequate solutions. A dialogue should also be started with the banking regulators to better understand their concerns and assess the best way to deal with them.”***

*“In any case, **CEA poses the question of whether regulatory concerns** such as those expressed by some banking regulators **should be addressed through general accounting standards** rather than being dealt with through supervisory tools”, CEA’s President concluded.*

NOTES FOR EDITORS

1. Enquiries to: Lucia Caudet (+32 2 547 58 12, Mob. +32 497 400 943, caudet@cea.assur.org).

2. The latest version of IAS 39 (December 2003, which had already been amended several times) included a full fair value option for both financial assets and liabilities. Following concerns expressed essentially by banking regulators, in April 2004 the IASB published an Exposure Draft proposing to restrict the IAS 39 fair value option. In response, the IASB received 116 letters of comment from various interested parties such as preparers, analysts, standard-setters and even regulators. A majority of them expressed their disagreement. In view of the negative reactions of the interested parties, on 6 December 2004 the IASB presented a Preliminary First Draft of a Possible New Approach.
3. The Comité Européen des Assurances (CEA) is the European insurance federation. Its 32 national member associations cover over 93% of domestic insurance business. The more than 5000 insurance and reinsurance companies represented by CEA have total domestic premium income of 855 bn Euros, employ more than 1 million people and invest over 5000 bn Euros in the economy. CEA represents the industry's views to the EU institutions and international regulators and supervisors to ensure an appropriate regulatory framework.
4. Copies of all CEA news releases, together with its monthly newsletter *CEA Executive Update* and other information, can be downloaded from CEA's web site (www.cea.assur.org).
5. CEA's full member associations are listed below (in ISO code order).

AT - Austria

Verband der Versicherungsunternehmen Österreichs

BE - Belgium

Assuralia

CH - Switzerland

Association Suisse d'Assurances

CY - Cyprus

Insurance Association of Cyprus

CZ - Czech Republic

Česká asociace pojišťoven

DE - Germany

Gesamtverband der Deutschen Versicherungswirtschaft

DK - Denmark

Forsikring & Pension

EE - Estonia

Eesti Kindlustusseltside Liit

ES - Spain

Unión Española de Entidades Aseguradoras y Reaseguradoras

FI - Finland

Suomen Vakuutusyhtiöiden Keskusliitto

FR - France

Fédération Française des Sociétés d'Assurances

GR - Greece

Association of Insurance Companies-Greece

HU - Hungary

Magyar Biztosítók Szövetsége

IE - Ireland

The Irish Insurance Federation

IS - Iceland

Samband Íslenskra Tryggingafélaga

IT - Italy

Associazione Nazionale fra le Imprese Assicuratrici

LI - Liechtenstein

Liechtensteinischer Versicherungsverband e.V

LT - Lithuania

Lietuvos draudiku asociacija

LU - Luxembourg

Association des Compagnies d'Assurances du Grand-Duché de Luxembourg

LV - Latvia

Latvijas Apdrošinātāju Asociacija

MT - Malta

Malta Insurance Association

NL - Netherlands

Verbond van Verzekeraars in Nederland

NO - Norway

Finansnæringens Hovedorganisasjon

PL - Poland

Polska Izba Ubezpieczen

PT - Portugal

Associação Portuguesa de Seguradores

SE - Sweden

Sveriges Försäkringsförbund

SI - Slovenia

Slovensko Zavarovalno Zdrufenje

SK - Slovakia

Slovenská asociácia poisťovní

TR - Turkey

Türkiye Sigorta ve Reasürans Sirketleri Birliđi

UK - United Kingdom

The British Insurers' European Committee:

Association of British Insurers

International Underwriters Association of London

Lloyd's of London