03.05.2005
CEIOPS’ Position on the EFRAG Letter on the Adoption of “Amendments to IAS 39: The Fair Value Option”

Dear Sir,

On behalf of CEIOPS (Committee of European Insurance and Occupational Pensions Supervisors), I am pleased to provide you with some comments on your letter on the adoption of “Amendments to IAS 39: The Fair Value Option”, as published by the IASB.

A wide majority of EU insurance supervisors support the adoption of the “Amendments to IAS39: Fair Value Option”, since it enhances the understandability and comparability of financial statements and provides basis for avoiding an inappropriate use of the Option itself.

These EU insurance supervisors believe that the more principle based approach as well as the relationship between the application of the Fair Value Option and the documented risk management or investment strategy would make the Option more operational for insurance accounting.

However, the opinion of some supervisors diverge on certain issues and, in particular, these supervisors suggest that an explicit reference to an economic relationship between assets and liabilities could be added in the text of the standard.

In addition, reference to how information is provided to key management personnel facilitates the assessment of whether the use of the Fair Value Option is in line with the entity’s documented strategy. The emphasis the Amendments put on the need for a reliable fair value measurement was also appreciated.
Moreover, a wide majority of EU supervisors strongly support the introduction of disclosure requirements regarding the conditions for applying the Fair Value Option: these requirements, by leading the entity to analytically motivate its choice for the application of the Option, might help in preventing or assessing a possibly inappropriate use of the Option itself.

EU insurance supervisors will anyway monitor the use of such Option by their supervised entities and will take appropriate supervisory actions including the use of prudential filters, if needed.

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Should you wish to have any further clarification on CEIOPS’ advice or to discuss it more in depth, please do not hesitate to contact Mr Fausto Parente by e-mail (fausto.parente@isvap.it) or by phone at +39-06-42.133.481.

Yours sincerely,

Alberto Corinti
(Secretary General)