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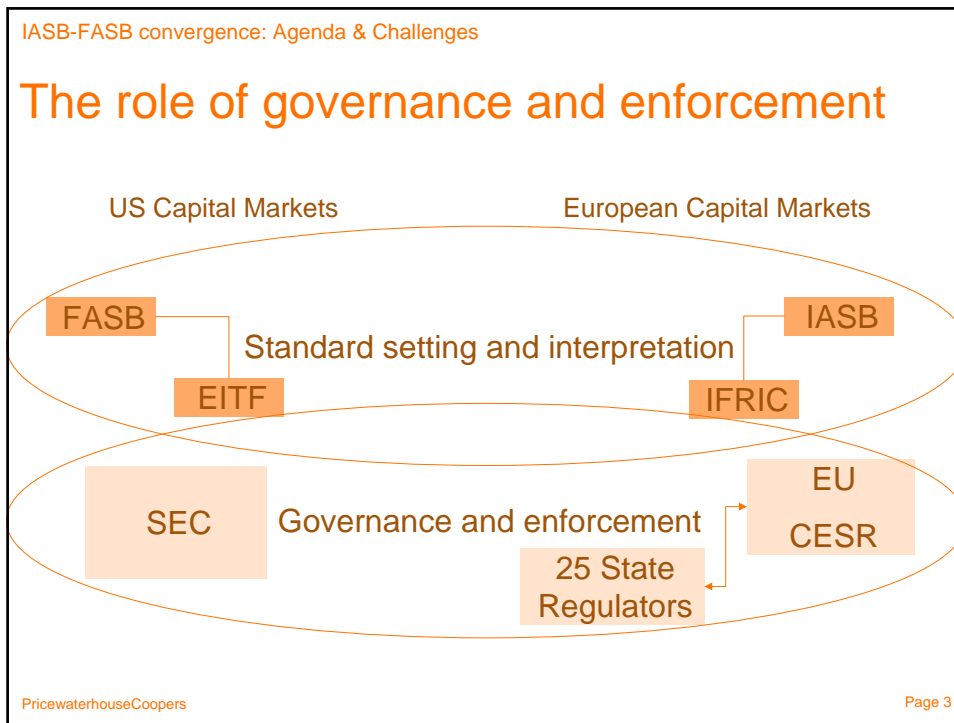
Layout & Distribution: Valéria Kozakova

IASB-FASB convergence: Agenda & Challenges The Broader Convergence Agenda

Ian Dilks

Topics for discussion

- The role of governance and enforcement in the context of IASB-FASB convergence
- The role of companies: European Embedded Value – a model of convergence for the insurance industry?
- “One ring to rule them all” - The role of Insurance Phase II to understand/influence convergence



- IASB-FASB convergence: Agenda & Challenges
- ## The role of governance and enforcement (cont.)
- Users strongly prefer principle based accounting standards (based on PwC survey)
 - This appears to be a key qualitative feature of “convergence” that should find its way in the enforcement structure
 - IFRIC has been less “productive” than EITF. Its focus has been on explaining via “rejection text” why IFRS is clear and no interpretation is needed
 - The International model is politically acceptable but it needs more resources and coordination
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IASB-FASB convergence: Agenda & Challenges

The role of governance and enforcement (cont.)

Coherent consistent application of IFRS is an essential prerequisite to the elimination of the reconciliation requirement in the U.S.
Commissioner Paul S. Atkins, 29 September 2006

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IASB-FASB convergence: Agenda & Challenges

The role of governance and enforcement (cont.)

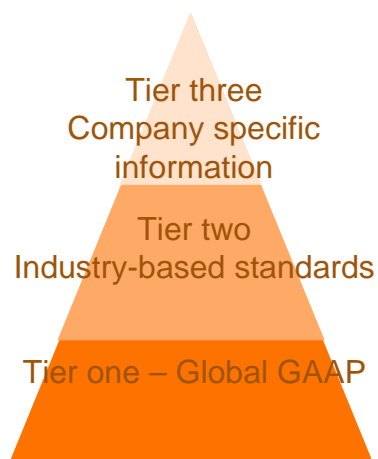
Coherent consistent application of IFRS is an essential prerequisite to the elimination of the reconciliation requirement in the U.S.
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Consistency means an acceptable interpretation in every case - what it does not mean is an identical application and interpretation in each case
Samuel A. Di Piazza, Jr., September 2006

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The role of companies: EEV - a model of convergence for the insurance industry?



- FASB and IASB are working on tier one of the model for transparent reporting
- The insurance industry is increasingly working on tier two, for example, developing EEV
- PwC survey of analysts indicated that 55% of UK based global equity analysts use EEV reports rather than IFRS to analyse insurance stocks
- Could the industry be doing more to facilitate convergence on the users agenda?

One ring to rule them all – Insurance Phase II and convergence

- Insurance Phase II covers most of the topics in the convergence Memorandum of Understanding
 - Revenue recognition and fair value measurement are underpinning the fundamental questions of entry v. exit value for insurance contracts and how to determine risk margins for insurance measurement
 - The liability and equity classification project goes to the heart of accounting for participating contracts and the role of policyholders in the capital management of insurance companies

IASB-FASB convergence: Agenda & Challenges

One ring to rule them all – Insurance Phase II and convergence (cont.)

- The new performance reporting standard will be “tested” in the context of insurance companies (and banks)
- The project on consolidation will consider the issue of control in a “fiduciary capacity” – the accounting of unit linked contracts is a component of this debate
- Phase II will develop accounting for policyholders – this could influence the accounting for pensions

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Summary

- Convergence is a process: and one which will be influenced by governance and enforcement structures
- The industry can influence convergence if it develops and utilises relevant reporting beyond accounting standards
- The development of Insurance Phase II underpins the IASB-FASB convergence agenda – The ideal forum to understand and influence convergence?

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<http://www.pwc.com/ifrs>

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