To: Mr. Hans Hoogervorst
Chairman
International Accounting Standards Board
30 Cannon Street
London EC4M 6XH

Our reference: ECO-FRG-15-021

Subject: Insurance Europe response to IASB Exposure draft ED/2014/4, Measuring Quoted Investments in Subsidiaries, Joint Ventures and Associates at Fair Value *(Proposed amendments to IFRS 10, IFRS 12, IAS 27, IAS 28 and IAS 36 and Illustrative Examples for IFRS 13)*

Brussels, 22 January 2015

Dear Mr. Hoogervorst,

Insurance Europe welcomes the opportunity to comment on the Exposure Draft *"Measuring Quoted Investments in Subsidiaries, Joint Ventures and Associates at Fair Value (Proposed amendments to IFRS 10, IFRS 12, IAS 27, IAS 28 and IAS 36 and Illustrative Examples for IFRS 13)"* as issued on 16 September 2014.

The inconsistency between the proposal for the unit of account (Question 1) and the suggested rule for measurement (Question 2) can be overcome by including a rebuttable assumption.
Insurance Europe would like to comment specifically to the ED's "question 2 – Interaction between Level 1 inputs and the unit of account for investments in subsidiaries, joint ventures and associates". The IASB proposes to amend IFRS 10, IFRS 12, IAS 27 and IAS 28 to clarify that the fair value measurement of quoted investments in subsidiaries, joint ventures and associates should be the product of the quoted price (P) multiplied by the quantity of financial instruments held (Q), or P x Q, without adjustments. At the same time the IASB suggests to clarify rightly that the unit of account is the investment as a whole (Question 1). This is clearly inconsistent. Therefore we share the rationale expressed by one Board Member in his dissenting opinion to the ED.

While we support the proposal in Question 1 (unit of account), we have objections against the proposed rule in Question 2 ("P x Q approach"). In particular, Insurance Europe does not agree with mandatorily determining the fair value always as the product of P x Q as this will not always faithfully represent the economic reality.

We continue to view that the IASB should develop principle based standards. Therefore, the IASB should adjust the ED's proposal by allowing a rebuttable assumption regarding the "P x Q approach" if the IASB would continue to require measuring the fair value of quoted investments in subsidiaries, joint ventures and associates as the product of P x Q.

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At a minimum, further research on "P x Q"-rule might be appropriate.
Insurance Europe is aware of the user feedback given to the IASB in favour of P x Q and we also understand from preparers that in practice the use of P x Q might be a common measurement approach. However, we believe that further research on different measurement practices would be appropriate as market prices are not the always the most reliable source for measurement purposes. Even if the IASB should disagree to include a rebuttable assumption, we believe that further research is needed to achieve a satisfactory conclusion of this project. Any amendments should allow for proper reflection of economic reality to provide faithful presentation for users.

Please feel free to contact us should you have any further questions or comments.

Yours sincerely,

Olav Jones
Director Economics & Finance / Deputy Director General