

Jenny Carter
Financial Reporting Council
8th Floor
125 London Wall
London
EC2Y 5AS

Direct line +44 (0) 207 063 4414
Email steven.brice@mazars.co.uk

For the attention of Jenny Carter at ukfrs@frc.org.uk

26 February 2016

Dear Sirs,

Exposure Draft: FRED 64 Draft amendments to FRS 103 *Insurance Contracts* – Solvency II

Introduction

Mazars, the integrated international accountancy, auditing and advisory organisation with more than 17,000 professionals in 77 countries, welcomes the opportunity to provide our comments on the FRC's exposure draft issued in December 2015 and titled FRED 64 Draft amendments to FRS 103 *Insurance Contracts* – Solvency II.

Responses to specific questions

Q1: Do you agree with the amendments proposed to FRS 103 and the related Implementation Guidance? If not, why not?

We agree with the amendments proposed to FRS 103 and the related Implementation Guidance. However, we are concerned that the new definitions of 'established long-term insurance business liability basis' and 'realistic value of liabilities' do not provide sufficient guidance for entities applying them. For example the definitions use principles-based terms such as 'appropriate' and undefined terms such as 'with-profits benefits reserve', which may result in entities applying them inconsistently. In addition, the new definitions state that the accounting treatment should be consistent with that applied for periods ending before 1 January 2016, and we consider that this may cause problems for new entities that have no established accounting treatment.

Q2: Have you identified any other amendments that you consider should be made to FRS 103 or the related Implementation Guidance as a result of the changes in the regulatory framework? If so, please provide details of your proposed amendments and the rationale for them.

Paragraph 1.5 of FRS 103 requires insurers to benchmark their accounting policies against Section 3, "Recognition and measurement: Requirements for entities with long-term insurance business" and we are concerned that Section 3 does not refer to the possibility that entities applying Solvency II for periods beginning on or after 1 January 2016 may consider this as an appropriate basis for their financial statements, modified where necessary to comply with the general requirements of FRS 102 and FRS 103.



Finally, we have identified an amendment we consider should be made to FRS 103 that is not as a result of the changes in the regulatory framework. There is a typographical error whereby 4.5 (b) refers to “the recognised amounts described in (b)” rather than “the recognised amounts described in (a)”.

If you would like to discuss our response with us please do not hesitate to contact Steven Brice on 0207 063 4414.

Yours sincerely

A handwritten signature in blue ink that reads 'Mazars LLP'.

Mazars LLP