amice
FOR MUTUAL BENEFIT

International Accounting
Standards Board
30 Cannon Street
London
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Brussels, 20 March 2009

Comments on ED10- Consolidated Financial Statements

Dear Madam/Sir,

We have studied IASB's consolidations draft standard ED10 concerning the consolidation models and the proposed consolidation principle developed in the exposure draft.

We welcome the exposure draft's proposal for a single definition of control for all entities and recognize the benefits of increased comparability and legibility between groups' financial statements if entities are to consolidate on a more consistent basis.
Whilst the exposure draft does not specifically mention mutual societies, it would seem that the latter could be incorporated in the scope of the ED10 on the basis of their inclusion in the ambit of the revised IFRS 3 Business Combinations.

Mutuals have financial, organizational etc links to other companies (not necessarily mutuals) that might fit into the IASB definition of control and generation of returns. However, it should be noted that in many jurisdictions, mutuals have limitations as regards distributing gains to stakeholders other than policyholders. In fact the limitation to distributing gains is the core identity of mutuals. In addition it is also possible that other companies have invested guarantee capital in a mutual company but attention should be paid to the fact that restrictions exist in the statutes of mutual companies concerning the rights of the owners of guarantee capital of a mutual company (limited voting rights, modest interest paid to guarantee capital, redemption) and because of these restrictions the owner of guarantee capital has no right to the assets of a mutual company as the assets belong to policyholders. Therefore, failing to take these limitations into account in the consolidation of mutual companies' accounts would produce a false report of the group's situation. In our opinion, it is important that where mutual groups exist they could also be treated as such for accounting purposes. We would however like to underline some inconsistencies in the definition of the entities which could be under the scope of this ED:

Whereas paragraph BC 34 states that “*the controlling entity model should be the only basis for consolidation.”,* and thus seems to exclude mutuals whose combinations - where they exist - do not arise from any capital link or any kind of control per se but rather from economic cooperation or financial solidity agreements, paragraph B9 (c) specifies that a “*reporting entity can have powers to direct activities of an entity by sharing its resources with it*.”

As representatives of the European mutual insurance industry, we would be highly interested in providing additional information and are particularly interested in being informed of the accounting developments in the area of consolidation.

We hope you will find these comments helpful. Do not hesitate to contact Silvia Herms (silvia.herms@amice-eu.org) or myself (catherine.hock@amice-eu.org) for further information.

Yours sincerely

Catherine Hock
Deputy Secretary General
AMICE