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11 November 2010

Mr Steve Ong
Director, Standard Setting
Hong Kong Institute of Certified Public Accountants
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213 Queen's Road East
Wanchai, Hong Kong

(Fax: 2865 6776)

Dear Mr Ong,

Invitation to comment on IASB Exposure Draft of Insurance Contracts

Thank you for your letter of 16 September 2010 inviting the Audit Commission to comment on the captioned subject.

We consider that the proposed measurement model using "building blocks" for determining the insurance contract liability will produce relevant information that will help users of an insurer's financial statements to make economic decisions. We agree that the measurement of an insurance contract should include the expected present value of the future cash inflows and outflows that will arise as the insurer fulfils the insurance contract. It is important that the discount rate used by the insurer for determining the expected present value should reflect the characteristics of the insurance contract liability and not those of the assets backing that liability.

Yours sincerely,

(Andrew Chang)
for Director of Audit