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Mr Fabrice Demarigny
Secretary General
The Committee of European Securities Regulators
11-13 Avenue de Friedland
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11 July 2005

Dear Sir,

CESR Draft Recommendations on Alternative Performance Measures

The CFO Forum of European insurers has considered the CESR Draft Recommendation on Alternative Performance Measures. Our members are both significant listed companies in the European Union and very substantial institutional investors in the European capital markets.

It is in this context, as preparers and users of financial information, we write to express our strong reservations about these draft recommendations. Contrary to CESR's objective of providing "the financial markets with appropriate and useful measures" we believe these proposals will limit the free flow of information between investors and investees.

CESR must take great care to ensure that any proposals in this area do not have the consequence, intended or unintended, of undermining the genuine efforts of listed companies to communicate to investors information that they find useful. In particular, companies should not be restricted to provide information to the capital market that is relevant to management for purposes of decision making. The markets have demonstrated their appetite for operating profit measures (and will adjust information to produce this even if it is not provided). KPIs are also very important in market assessment of performance. Furthermore, the proposals fail to recognise the IASB's thinking regarding the use of alternative performance measures (refer, for

example, to IAS 14¹ and IFRS 7²) and the joint IASB/FASB ongoing performance reporting project. It is notable also, that the proposals go somewhat beyond similar regulations in the US capital markets.

More specifically, we have a significant concern in respect of life insurers own financial reporting. In 2004, the CFO Forum issued guidance to improve methodology and disclosure of life insurers supplementary financial reporting, known as 'European Embedded Value' (EEV). Although the CESR proposals are not very clear, we assume this would be considered an "alternative performance measure". It is evident from our discussions with users that this is key information that analysts use to assess life insurer performance.

In contrast, the IASB framework for accounting for insurance contracts is not yet developed and is, of course, now being reviewed in the context of the IASB Phase II insurance project. Currently however, IFRS 4 "Accounting for Insurance Contracts" allows, in essence, historical national practices to be carried forward into an IFRS reporting environment. Such financial reporting is widely recognised as being of limited use in assessing comparable insurance performance.

Yet the CESR proposals would appear to require the IFRS information to be given **greater** prominence than EEV in **all** financial reporting. The obvious question is why? In our view the proposals represent a solution in search of a problem, and do little to provide evidence that a real issue exists.

More generally, we are concerned that the proposals are vague in respect of the need for an explanation of differences between alternative performance measures and defined measures, the requirement for auditor involvement, and exactly which public announcements would be covered. The definition of 'alternative performance measures' is unclear, and fails to make a distinction between supplementary information and alternative presentations of GAAP information. This uncertainty makes application practically very difficult for preparers.

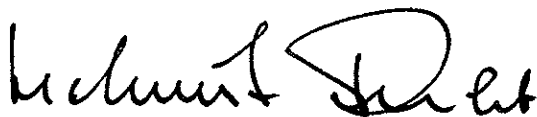
We recommend CESR reconsiders these proposals. In effective capital markets the real interests of investors are served by publication of meaningful information. It is incumbent on CESR to demonstrate the proposals to restrict this flow of information fulfil a useful purpose. So far the proposals fail in this prerogative. At a minimum the proposals should be revised to allow alternative measures to be presented with equal prominence.

¹ Para. 46 of IAS 14 states that "This Standard does not prohibit the disclosure of additional segment information that is prepared on a basis other than the accounting policies adopted for the consolidated or entity financial statements provided that (a) the information is reported internally to the board of directors and the chief executive officer for purposes of making decisions about allocating resources to the segment and assessing its performance and (b) the basis of measurement for this additional information is clearly described."

² The IASB May 2005 Update states that for IFRS 7 "the IASB decided to extend the option in paragraph 45 of ED 7 so that insurers may provide a sensitivity analysis based on a value-based technique (such as embedded value) if the entity's management prepares such a sensitivity analysis and uses it to manage financial risks."

The scope of the proposals should be restricted so as not to inhibit effective communication with the markets. We would welcome the opportunity to meet and discuss the CESR proposals. In our capacity as preparers and users of financial information we will work constructively with CESR to devise useful proposals.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Helmut Perlet', with a large, stylized loop at the end.

Dr Helmut Perlet
Chairman of the CFO Forum