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8 November 2010

Mr Kevin Stevenson
The Chairman
Australian Accounting Standards Board
PO Box 204
Collins Street West VIC 8007

Dear Mr Stevenson

Exposure Draft ED/2010/8 *Insurance Contracts*

The Suncorp Group appreciates the opportunity to comment on Exposure Draft ED (201) *Insurance Contracts*. We recognise that implementing a single accounting standard for Insurance Contracts represents a significant development in financial reporting for our industry.

Suncorp-Metway Ltd (Suncorp) is listed on the Australian Securities Exchange with consolidated profit after tax of AUD 780 million for the year ended 30 June 2010 and total assets of AUD 95 billion as at 30 June 2010. We are a diversified financial services group providing general insurance, banking, life insurance and wealth management products and services in Australia and New Zealand. In particular:

- With gross written premium of AUD 7.03 billion, the Suncorp General Insurance operations recorded an after tax profit of AUD 557 million for the year to 30 June 2010. We are the largest General Insurer in Australia and the second largest in New Zealand, offering commercial and personal insurance products and services.
- The Suncorp Life business reported a net profit after tax, including market adjustments, of AUD 222 million. Suncorp Life is the eighth largest life insurer in Australia and the third largest in New Zealand, with AUD 784 million of in-force premium at the end of 2009/10. Asteron is the key life insurance brand. We also have complementary businesses in superannuation and investments, and asset management.

We are supportive of the principle of a single accounting standard. It is important that the ED must produce relevant and meaningful information for the users of an insurer's financial statements. There are some areas that cause us significant concern and would compromise that objective. These are addressed in our detailed response and highlighted further below.

Transitional Arrangements

Setting the residual margin to nil at transition will result in significantly lower emerging reported profit from the in-force risk and participating business in the future. Under the ED it is possible for an insurer to write profitable business after the date of transition and yet report losses. This change has the potential for the greatest impact on reported profit for established insurers.

We recommend that the transition rules be modified to allow insurers to adopt their pre-IFRS liability balances adjusted for deferred acquisition cost balances. Insurers could be required to disclose the amount of residual margin recorded at transition and the run-off of the pre-transition margin in subsequent period for comparability with insurers from other jurisdictions.

Locked in nature of Residual Margin

The locked in nature of the residual margin means the full impact of changes to assumptions (including re-measurement of the risk margin) would be reflected in reported profit at the time, making it more volatile than at present for risk and participating business. This is a major change for Australian insurers, where the impact of assumption changes is currently offset against available profit margin in most situations.

We recommend that the residual margin is measured at each reporting date, so that it represents a current value in line with the rest of the measurement model.

Contract Boundary principles

The commentary on contract boundary principles would suggest that short duration Australian Compulsory Third Party (liability) business, would not qualify for the modified approach treatment given this business is subject to pricing regulation. This would result in different treatments and disclosures for short duration Australian General insurance business and would bring unnecessary complexity to process and volatility to the reported financial performance with minimal benefit to the users of the financial statements.

We recommend that the definition of contract boundary principles be reconsidered in light of government regulators imposing constraints on re-pricing for individual policyholders.

Risk Margin

The ED indicates that the risk adjustment should be set at the portfolio and not the contract level. Whilst this allows for diversification benefit within a portfolio it does not reflect diversification effects between one portfolio and another. The proposals would result in overly conservative estimates of risk margin.

We recommend that risk adjustments be set at a reporting entity level. As a large insurer Suncorp provides multiple products across a range of geographical locations. Risk margin should allow for risk diversification between different portfolios within the Group.

Presentation and disclosure

The disclosure requirements are too onerous and insurers would require significant investment in accounting and actuarial infrastructure to capture, reconcile movements and report the items required. Furthermore we would argue that the number and complexity of disclosures will reduce usefulness of the accounts.

We recommend that the presentation and disclosures be simplified and relevant to the users of the financial statements.

These issues are significant to insurers, to the extent that they are likely to result in the Income Statement not presenting fairly the financial performance of the insurer.

If you have any questions on our comments, please do not hesitate to contact Stephen Burton on 07 3135 2509.

Yours sincerely

John Nesbitt
Group Chief Financial Officer

Suncorp response to ED 2010/8 Insurance Contracts

November 8, 2010

The purpose of this paper is to document the Suncorp Group response to the nineteen questions tabled by the IASB with respect to the Exposure Draft on Insurance Contracts. The response considers our General and Life Insurances businesses.

QUESTION 1 – RELEVANT INFORMATION FOR USERS

Do you think that the proposed measurement model will produce relevant information that will help users of an insurer's financial statements to make economic decisions? Why or why not? If not, what changes do you recommend and why?

The measurement model has the potential of producing relevant and meaningful information for the users of an insurer's financial statements. The modified approach is a more recent inclusion to the Exposure Draft (ED) as a result of earlier feedback from General Insurers and in our response we have assumed it will remain in the final standard. Most of our General Insurance business would be captured under the modified approach and have responded accordingly.

Overall we agree with many of the principles outlined in the ED. However there are a number of important amendments that would significantly enhance the usability of the financial statements and facilitate interpretation and comparability between companies. These amendments are discussed in detail throughout our response, however key points are:

- transitional arrangements – in our view the complete removal of the residual margin is an unacceptable compromise. In particular it presents the insurance sector in a poor light for some time until the residual margins are built up again through new business;
- we do not agree with the locked in nature of the residual margin or the composite margin;
- the "unit of account" should be at the portfolio level not individual policy level;
- we are deeply concerned to note that the wording around the contract boundary principles would capture certain general insurance business despite the policy duration being < 12 months. This would bring unnecessary complexity to process and volatility to the results as a consequence of applying the full measurement model to this short duration business. Applying the measurement model to short duration business would bring unnecessary complexity to process and potential volatility to the results with minimal benefit to the users of the financial statements, and therefore not the intention of the ED.

QUESTION 2 – FULFILMENT CASH FLOWS

(a) Do you agree that the measurement of an insurance contract should include the expected present value of the future cash outflows less future cash inflows that will arise as the insurer fulfils the insurance contract? Why or why not? If not, what do you recommend and why?

We support the concept of fulfilment cash flows in the measurement of insurance contracts. In particular that the measurement of an insurance contract should include the expected present value of future cash outflows, less future cash inflows that will arise as the insurer fulfils the insurance contract.

(b) Is the draft application guidance in Appendix B on estimates of future cash flows at the right level of detail? Do you have any comments on the guidance?

Yes. No further comments.

QUESTION 3 – DISCOUNT RATE

(a) Do you agree that the discount rate used by the insurer for non-participating contracts should reflect the characteristics of the insurance contract liability and not those of the assets backing that liability? Why or why not?

We agree that the discount rate used by the insurer for measuring non participating contract liabilities should reflect the characteristics of the liabilities, rather than the assets backing those liabilities. This is because the non participating liabilities themselves are unaffected by the assets backing them, therefore the measurement of the liabilities should also be unaffected.

Exception should be made when adjusting for liquidity, which is discussed in our response to Question 3(b) below.

(b) Do you agree with the proposal to consider the effect of liquidity, and with the guidance on liquidity? Why or why not?

We agree with the proposal to consider the effect of liquidity when determining discount rates. This is because for certain life insurance contracts, such as annuity business the liquidity premium is taken into account in the design of the contract and secondly is an aspect of the operation of the contract (namely the investment of the underlying assets). Without an allowance for liquidity premium, the insurance liability would be too high and the contract would appear loss making, when in fact this is not the case.

(c) Some have expressed concerns that the proposed discount rate may misrepresent the economic substance of some long-duration insurance contracts. Are those concerns valid? Why or why not? If they are valid, what approach do you suggest and why? For example, should the Board reconsider its conclusion that the present value of the fulfilment cash flows should not reflect the risk of non-performance by the insurer?

We agree with the Board's conclusion that the present value of the fulfilment cash flows should not reflect the risk of non-performance by the particular insurer, otherwise an insurer which has stronger financial standing is required to hold higher liabilities than an insurer of lesser strength.

QUESTION 4 – RISK ADJUSTMENT VERSUS COMPOSITE MARGIN

Do you support using a risk adjustment and a residual margin (as the IASB proposes), or do you prefer a single composite margin (as the FASB favours)? Please explain the reason(s) for your view.

We prefer using a risk adjustment and a residual margin (as the IASB proposes) over a single composite margin (as the FASB favours). This is because a risk adjustment should always be included in the valuation of insurance liabilities. We note this is not guaranteed under the composite approach.

However, we do not agree that the residual margin should be locked in at inception and not be remeasured subsequently. For residual margin to continue to be a useful item in the framework it needs to be remeasured along with the rest of the estimates. Maintaining a constant residual margin over the duration of the policy negates the benefit of remeasuring the estimates of cash flows. This is further discussed in our response to Question 6(d).

QUESTION 5 – RISK ADJUSTMENT

(a) Do you agree that the risk adjustment should depict the maximum amount the insurer would rationally pay to be relieved of the risk that the ultimate fulfilment cash flows exceed those expected? Why or why not? If not, what alternatives do you suggest and why?

We agree with this definition in principle however the word maximum suggests the highest value in a range, which is excessively conservative and therefore we recommend replacing <u>maximum</u> with <u>expected value</u>.

(b) Paragraph B73 limits the choice of techniques for estimating risk adjustments to the confidence level, conditional tail expectation (CTE) and cost of capital techniques. Do you agree that these three

techniques should be allowed, and no others? Why or why not? If not, what do you suggest and why?

Consistency and comparability between insurers is best achieved if only one technique is allowed, with the cost of capital approach being favoured. However, for practical reasons, we agree that limiting the choice of techniques to the three methods is appropriate and adequate for the difference in size of insurers and the types of insurance contracts written.

That said we recommend that:

- Under the Confidence interval method and the conditional tail expectation method, the probability of sufficiency (PoS) should be prescribed in the standard to ensure comparability rather than using disclosure as a means of informing the user of the financial statements of the differences in PoS. In our experience, differences in the level of POS can lead to excessive variation in the risk margin level and reduce the transparency of financial statements.

- Under the Cost of Capital Method, the standard should specify that it is economic capital that should be used in calculating the risk margin, not statutory capital. The standard should provide specific guidance as to how the required rate of return on capital can be determined, e.g. sovereign government bond rate plus equity premium. Lack of clarity in this area could lead to significant variation in risk margins and resulting reduction in comparability and usefulness of financial statements.

(c) Do you agree that if either the CTE or the cost of capital method is used, the insurer should disclose the confidence level to which the risk adjustment corresponds (see paragraph 90(b)(i))? Why or why not?

If the cost of capital is used, then the cost of capital percentage should be disclosed. Alternatively, if the confidence interval or conditional tail expectation method is used, then the probability of sufficiency should be disclosed.

In terms of requiring the disclosure of the confidence interval even if the cost of capital method is used, it is a matter of balancing enhanced comparability and the burden of work in preparing financial statements. While we agree that the disclosure of the confidence interval to which the risk adjustment correspond would add to the comparability of financial statements, this requirement has the potential to impose significant amount of extra work on companies that choose to use the cost of capital method, as the confidence interval is not readily available from the cost of capital method.

(d) Do you agree that an insurer should measure the risk adjustment at a portfolio level of aggregation (i.e. a group of contracts that are subject to similar risks and managed together as a pool)? Why or why not? If not, what alternative do you recommend and why?

We agree that the risk adjustment should be at the portfolio level and not the contract level as this is an important concept in insurance. However whilst this allows for diversification within a portfolio, it does not allow for diversification benefit between one portfolio and others, which is also an important concept in the insurance business.

(e) Is the application guidance in Appendix B on risk adjustments at the right level of detail? Do you have any comments on the guidance?

No, it is unclear what the minimum acceptable level of sophistication that insurers need in determining the distribution of outcomes. This sophistication can range from simply assuming a particular distribution with no validation to a fully stochastic multi-period model.

QUESTION 6 – RESIDUAL/COMPOSITE MARGIN

(a) Do you agree that an insurer should not recognise any gain at initial recognition of an insurance contract (such a gain arises when the expected present value of the future cash outflows plus the risk adjustment is less than the expected present value of the future cash inflows)? Why or why not?

Yes, we agree that an insurer should not recognise any gain at initial recognition of an insurance contract as no service has been provided. This is consistent to the revenue recognition proposals in Exposure Draft ED/2010/6 *Revenue from Contracts with Customers.*

(b) Do you agree that the residual margin should not be less than zero, so that a loss at initial recognition of an insurance contract would be recognised immediately in profit or loss (such a loss arises when the expected present value of the future cash outflows plus the risk adjustment is more than the expected present value of future cash inflows)? Why or why not?

Yes, we agree with this treatment as it is consistent with the fulfilment obligations of the insurer and is in alignment with the revenue recognition proposals in Exposure Draft ED/2010/6 *Revenue from Contracts with Customers.*

(c) Do you agree that an insurer should estimate the residual or composite margin at a level that aggregates insurance contracts into a portfolio of insurance contracts and, within a portfolio, by similar date of inception of the contract and by similar coverage period? Why or why not? If not, what do you recommend and why?

Yes, we agree that the insurer should estimate a residual (or composite) margin at portfolio level. This is consistent with the principle that a unit of account for insurance contracts is a portfolio (not an individual contract).

However we can see no benefit in the requirement that the residual margin by maintained and run off by cohort of policies of similar inception and coverage period. This requirement would introduce unnecessary complexity for little benefit to the user of the accounts.

(d) Do you agree with the proposed method(s) of releasing the residual margin? Why or why not? If not, what do you suggest and why?

We agree with the proposed method of releasing the residual margin in accordance with paragraph 50. However, the residual margin should not be locked in at inception and should allowed to be remeasured at each reporting date.

Under the proposed approach, changes in assumption in remeasuring the present value of fulfilment cash flow are immediately recognised in profit and loss, ignoring the ability of the unamortised residual margin to absorb this adjustment. This presents a scenario where losses are reported for a change in assumptions for profitable contracts where the unamortised locked-in residual margin is sufficient to absorb this adjustment. By not allowing re-measurement of the residual margin at each reporting date, the financial statements may not reflect the true financial performance of the insurance contracts.

(e) Do you agree with the proposed method(s) of releasing the composite margin, if the Board were to adopt the approach that includes such a margin? Why or why not?

We agree with the proposed method of releasing the composite margin as specified in the Basis of Conclusions. However we believe the composite margin should not be locked in at inception for the same reasoning in our response to Question 6(d).

(f) Do you agree that interest should be accreted on the residual margin? Why or why not? Would you reach the same conclusion for the composite margin? Why or why not?

We agree interest should be accreted on the residual margin and the composite margin, recognising the time value of money.

QUESTION 7 – ACQUISITION COSTS

Do you agree that incremental acquisition costs for contracts issued should be included in the initial measurement of the insurance contract as contract cash outflows and that all other acquisition costs should be recognised as expenses when incurred? Why or why not? If not, what do you recommend and why?

We accept the proposed approach that incremental acquisition costs for contracts issued are included in the initial measurement of the contracts issued and that all other acquisition costs are recognised as expenses when incurred. However for internal consistency, the Board should consider deferral of incremental costs at a portfolio level.

We do not believe that this will mean increased volatility in the results of an established GI business. Further, it will be operationally simpler and a less subjective approach than we currently apply under the broad definitions within AASB1023.

QUESTION 8 – PREMIUM ALLOCATION APPROACH

(a) Should the Board (i) require, (ii) permit but not require, or (iii) not introduce a modified measurement approach for the pre-claims liabilities of some short-duration insurance contracts? Why or why not?

The AASB Board should require a modified measurement approach for the pre-claims liabilities of some short-duration insurance contracts. This best ensures comparability and consistency of approach across the industry. However we have some comments over when the modified approach should be applied and these are covered in Questions 8(b) and 9.

(b) Do you agree with the proposed criteria for requiring that approach and with how to apply that approach? Why or why not? If not, what do you suggest and why?

We generally agree with the proposed criteria for requiring that approach and with how to apply that approach, but the proposed criteria should be applied to a portfolio of contracts as opposed to an individual contract. Reinsurance contracts should be measured on the same basis as the underlying insurance contracts. Where the underlying insurance contracts can adopt the modified measurement approach, then the reinsurance contract should be allowed to adopt this approach.

QUESTION 9 – CONTRACT BOUNDARY PRINCIPLE

Do you agree with the proposed boundary principle and do you think insurers would be able to apply it consistently in practice? Why or why not? If not, what would you recommend and why?

We are very concerned about the implications of paragraph 27(b) relating to whether the insurer has the right or ability to reassess the risk of the particular policyholder. For certain statutory or public policies where the premium is regulated by the government (e.g. Queensland's Compulsory Third Party insurance), where the coverage period is 12 months or less, the insurer would not be able to apply the modified measurement approach for short-duration insurance contracts because the insurer cannot reassess the risk at an individual policyholder level. This leads to additional complexity and burden for separate measurement and reporting for a general insurer with mostly short-duration contracts that meet the conditions under paragraph 54. We recommend such price-regulated short-duration insurance product be relived from this requirement of the insurer being able to reassess risk at an individual policyholder level.

Excepting for the above, we generally agree with the proposed contract boundary principles.

QUESTION 10 – PARTICIPATING FEATURES

(a) Do you agree that the measurement of insurance contracts should include participating benefits on an expected present value basis? Why or why not? If not, what do you recommend and why?

Yes, we agree.

(b) Should financial instruments with discretionary participation features be within the scope of the IFRS on insurance contracts, or within the scope of the IASB's financial instruments standards? Why?

Financial instruments with discretionary participation features should be within the scope of the IFRS on insurance contracts.

(c) Do you agree with the proposed definition of a discretionary participation feature, including the proposed new condition that the investment contracts must participate with insurance contracts in the same pool of assets, company, fund or other entity? Why or why not? If not, what do you recommend and why?

We agree as this will allow for participating investment contracts to be accounted for on a basis that is consistent with the terms of the participating investment contracts and their management.

(d) Paragraphs 64 and 65 modify some measurement proposals to make them suitable for financial instruments with discretionary participation features. Do you agree with those modifications? Why or why not? If not, what would you propose and why? Are any other modifications needed for these contracts?

We agree with the modifications proposed in paragraphs 64 and 65. We recommend the addition of a third condition that residual margin for a financial instrument with discretionary participation feature should be released on the basis of the expected timing of incurred claims and benefits, if that pattern differs significantly from the passage of time and the contract does not involve significant investment risk as paragraph 65(c). This definition reflects our observation for many participating insurance contracts the investment risk will be greater than the insurance risk.

QUESTION 11 – DEFINITION AND SCOPE

(a) Do you agree with the definition of an insurance contract and related guidance, including the two changes summarised in paragraph BC191? If not, why not?

We agree except for the inclusion of certain financial guarantee contracts which is further discussed in our response to Question 11(c).

(b) Do you agree with the scope exclusions in paragraph 4? Why or why not? If not, what do you propose and why?

Yes, we agree.

(c) Do you agree that the contracts currently defined in IFRSs as financial guarantee contracts should be brought within the scope of the IFRS on insurance contracts? Why or why not?

No, contracts defined in IFRSs as financial guarantee contracts should not brought within the scope of the IFRS on insurance and should rather remain within the scope of IAS39. The current recognition and measurement requirements in accordance with IAS 39 *Financial Instruments: Recognition and Measurement* and IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* are sufficient and adequate for the accounting for financial guarantee contracts. When combined with the disclosure requirements under IFRS 7 *Financial Instruments: Disclosures*, users of financial reports may find the information presented and disclosed more useful and easier to comprehend than what the requirements under the draft IFRS on insurance contracts.)

QUESTION 12 – UNBUNDLING

Do you think it is appropriate to unbundle some components of an insurance contract? Do you agree with the proposed criteria for when this is required? Why or why not? If not, what alternative do you recommend and why?

We agree that it is appropriate to unbundle some components of an insurance contract. We support the criteria for unbundling contracts.

QUESTION 13 – PRESENTATION

(a) Will the proposed summarised margin presentation be useful to users of financial statements? Why or why not? If not, what would you recommend and why?

The margin presentation will not be relevant to GI as it is not required under the modified approach. For long term business our view is that the presentation will be useful for users as it will be necessary for understanding the reported profit of the business and comparing company results. However we believe this presentation should be in the disclosure sections and not in the Statement of Comprehensive Income.

(b) Do agree that an insurer should present all income and expense arising from insurance contracts in profit or loss? Why or why not? If not, what do you recommend and why?

We agree that all income and expenses should be presented in the profit and loss. This reflects our view that insurance premium does not include a deposit component and is fully available to the insurer to meet its obligations.

QUESTION 14 – DISCLOSURES

(a) Do you agree with the proposed disclosure principle? Why or why not? If not, what would you recommend, and why?

We agree with the disclosure principles.

(b) Do you think the proposed disclosure requirements will meet the proposed objective? Why or why not?

The disclosure requirements are too onerous and insurers would require significant investment in accounting and actuarial infrastructure to capture, reconcile movements and report the items required. Furthermore we would argue that the number and complexity of disclosures may in fact reduce usefulness of the accounts. We recommend that the presentation and disclosures be simplified and relevant to the users of the financial statements.

(c) Are there any disclosures that have not been proposed that would be useful (or some proposed that are not)? If so, please describe those disclosures and explain why they would or would not be useful.

There are no additional disclosures that would be useful and indeed we feel that there are not useful based on cost / benefit analysis.

QUESTION 15 – UNIT-LINKED CONTRACTS

Do you agree with the proposals on unit-linked contracts? Why or why not? If not what do you recommend and why?

We agree with the proposals around unit linked contracts and support the disclosure requirements in paragraphs 71 and 78.

QUESTION 16 – REINSURANCE

(a) Do you support an expected loss model for reinsurance assets? Why or why not? If not, what do you recommend and why?

We do not agree with the proposal as paragraph 45 states that if a reinsurance treaty is profitable to the cedant, the present value of the profit should be recognised immediately. In our view recognising a profit on establishment of a reinsurance treaty is inconsistent with the general accounting principles of not recognising profit until services are provided.

We would recommend that for quota share treaties and surplus treaties (where a significant component of the insurance risk is transferred to the reinsurer), the residual margin for the gross contract and the reinsurance contract should produce the residual margin that would result if the reinsurance treaty and the gross treaty were accounted for as a combined insurance contract.

For other reinsurance assets; if expected inflows from the reinsurer exceed expected outflows to the reinsurer, then a residual margin is held to stop profit at inception. Or if expected outflows to the reinsurer exceed expected inflows from the reinsurer then no residual margin is held.

(b) Do you have any other comments on the reinsurance proposals?

No.

QUESTION 17 – TRANSITION AND EFFECTIVE DATE

(a) Do you agree with the proposed transition requirements? Why or why not? If not, what would you recommend and why?

Under the modified approach, applicable to most General Insurance, the main impact of the transitional arrangements would be a DAC write off to retained earnings at transition. However there are broader implications for long term business.

We do not support the requirement that the residual margin be set to zero on transition. The disadvantage of the proposed approach is that the emerging profitability of the transition portfolio will be artificially understated. As this understatement can be significant, the propose approach is expected to have a large range of adverse implications including:

- Life insurance business will appear less profitable than it actually is, this may adversely impact insurance company valuations and the ability of insurers to raise capital;
- Investors will have difficulty assessing the true profitability of an insurer. This will limit an investor's ability to accurately value a company or identify better performing insurers.

(b) If the Board were to adopt the composite margin approach favoured by the FASB, would you agree with the FASB's tentative decision on transition (see the appendix to the Basis for Conclusions)?

We do not support the FASB rules on transition for similar reasons to those outlined in point (a).

(c) Is it necessary for the effective date of the IFRS on insurance contracts to be aligned with that of IFRS 9? Why or why not?

We support aligning the effective dates of IFRS 9 and IFRS Insurance Contracts. This is for practical and cost reasons.

(d) Please provide an estimate of how long insurers would require to adopt the proposed requirements.

We estimate that it would take 24 months to implement the proposed requirements.

QUESTION 18 – OTHER COMMENTS

Do you have any other comments on the proposals in the exposure draft?

Paragraph B61 states that the fulfilment cash flows include transaction based taxes (such as premium taxes, VAT, GST) and levies (such as fire service levies) that arise directly from existing insurance contracts or can be attributed to them on a reasonable and consistent basis.

Paragraph B62 states that fulfilment cash flows do not include income tax payments and receipts. Such payment and receipts are recognised, measured and presented separately in accordance with IAS 12 Income taxes.

Contrary to the ED, for some products it may be appropriate to adjust the discount rate or cash flows for income tax. For example in Australia, participating contracts are taxed on investment income. For this product it would be appropriate to adjust the discount rate used to calculate the policy liability for tax.

QUESTION 19 – BENEFITS AND COSTS

Do you agree with the Board's assessment of the benefits and costs of the proposed accounting for insurance contracts? Why or why not? If feasible, please estimate the benefits and costs associated with the proposals.

As stated, the proposals as currently drafted are too onerous to have cost benefit advantages.