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21 September 2007

Professor David Boymal
Chairman
Australian Accounting Standards Board
PO Box 204
Collins Street West Vic 8007

Email: standard@aasb.com.au

Dear Professor Boymal,

Re: ITC12 – Proposed revised differential reporting regime for Australia

QBE Insurance Group (QBE) welcomes the opportunity to comment on the Australian Accounting Standards Board's (AASB's) Exposure Draft of an Australian differential reporting regime and the proposed IFRS for SMEs issued by the International Accounting Standards Board (IASB).

QBE is Australia's largest international general insurance and reinsurance group, and one of the top 25 insurers and reinsurers worldwide. QBE operates in all key insurance markets, with offices in 44 countries and employs over 10,000 people worldwide. QBE has over 30 Australian subsidiary companies.

QBE supports the principle of a more simplified recognition and measurement standard and reduced disclosures for reporting entities that are not publicly accountable. However, QBE is strongly opposed to the AASB's proposals for differential reporting in Australia which would impose additional financial reporting requirements on our Australian subsidiaries at a substantially increased cost.

We do not agree with the AASB's proposal to change the application focus of Australian Accounting Standards from 'reporting entity' to 'general purpose financial reports'. Whilst we are aware that there have been some interpretation issues around the reporting entity concept since its inception over 15 years ago, it has been reasonably successful and does provide us with the flexibility to tailor financial reports to suit the needs of the users.

IFRS for SMEs as currently proposed would result in our subsidiaries adopting accounting treatments that differ to those adopted in QBE's consolidated financial reports. This would lead to a requirement to prepare two sets of financial information, which appears inconsistent with the move to IFRS and the intention of the IFRS for SME project. The additional cost of training staff, preparing adjustments between single entity and consolidated financial statements and implementing systems to facilitate the two sets of standards would be onerous.

QBE disagrees with the AASB's interpretation that all reports lodged with ASIC should be considered to be general purpose. The majority of QBE's subsidiaries that lodge financial reports with ASIC have no employees or creditors. As such they would not meet the IASB's definition of a general purpose financial report in the SME proposals because there are no external users of the reports.

The average length of the special purpose financial reports currently prepared by our subsidiaries is 18 pages. We estimate that this would double under the proposed IFRS for SMEs and that the ongoing cost of complying with the AASB's proposals for differential reporting in Australia would potentially be in excess of $200,000 per annum. In addition to this, there would potentially be the costs of implementing systems to facilitate the production of two sets of financial information under IFRS and IFRS for SMEs.

We strongly support the simplification of financial reporting for SMEs; however, we do not agree with removing the reporting entity concept as proposed in ITC12. QBE's view is that the concept of the reporting entity should be maintained and that the AASB can resolve some of the interpretation issues around the definition of reporting entity by providing more specific guidance. We believe that the AASB could clarify that non-reporting entities should comply with all recognition and measurement requirements and be able to tailor their disclosures to meet the needs of the user.

QBE would welcome further contact to discuss our views throughout the consultation process.

Yours faithfully,

Neil Drabsch
Chief Financial Officer