

The LIAJ's Comments on the Exposure Draft

Risk Mitigation Accounting

Proposed amendments to IFRS 9 and IFRS 7

8 July 2026

The Life Insurance Association of Japan (LIAJ)

1. We, The Life Insurance Association of Japan (or the “LIAJ”), would like to extend our gratitude to the International Accounting Standards Board (or the “Board”) for providing us with the opportunity to submit comments on the *Exposure Draft, Risk Mitigation Accounting Proposed amendments to IFRS 9 and IFRS 7* (hereinafter referred to as the “ED”), published in December 2025.
2. The LIAJ is a trade association comprised of all 41 life insurance companies operating in Japan. Its goals are to promote the sound development of the life insurance industry in Japan, maintain its trustworthiness, and thereby contribute to improving the quality of life in Japan. We would like to respectfully request the Board to carefully consider the comments submitted from the sole representative body of the life insurance industry in Japan, which accounts for approximately 5%¹ of the world’s life insurance premiums.
3. From the abovementioned standpoint, the LIAJ would like to provide comments on Question 3, 10, and 11 of the ED as follows.

Question 3—Determining the net repricing risk exposure (paragraphs 7.2.5–7.2.10)

The IASB proposes that an entity determine the net repricing risk exposure by aggregating the repricing risk arising from underlying portfolios by repricing time bands based on expected repricing dates. The expected repricing date is the earlier of the dates on which financial instruments in the underlying portfolios are expected to be settled or to reprice.

The IASB also proposes that the entity determine the net repricing risk exposure in a manner that is consistent with how it makes risk management decisions, including with regard to:

- (a) the basis on which the entity aggregates the repricing risk arising from underlying portfolios and determines the repricing time bands (based on expected repricing dates); and
- (b) the measure the entity uses to quantify the repricing risk exposure in each repricing time band.

Paragraphs BC64–BC69 of the Basis for Conclusions explain the IASB’s rationale for these proposals.

Do you agree with these proposals? Why or why not? If you disagree with any of these proposals, please explain what you would suggest instead and why.

4. The ED requires entities to use repricing time bands to group financial instruments included in the underlying portfolios and to ensure that the number and length of the repricing time bands over the mitigated time horizon are consistent with the time bands used for risk management purposes.

¹ Swiss Re Institute, sigma No 3/2024.

5. Given the characteristics of insurers' business models, asset-side exposures are generally concentrated in the short to medium term, while liability-side exposures tend to be concentrated in the long term. As a result, the LIAJ considers that many insurers are unlikely to manage their net repricing risk exposure using fine-grained time buckets (for example, annual buckets).
6. In paragraph BC66, the Board explains its decision not to include specific requirements regarding repricing time bands. While the LIAJ agrees with this decision, we believe it would be desirable for the Basis for Conclusions or other explanatory materials to explicitly state that risk mitigation accounting is also applicable in cases where an entity manages repricing risk using a single time bucket.

Question 10—Disclosure requirements (proposed amendments to IFRS 7)

The IASB is proposing new presentation and disclosure requirements to be included in IFRS 7 *Financial Instruments: Disclosures*.

Paragraph 30E would require an entity to present separately from other line items:

- (a) the risk mitigation adjustment, either as part of the entity's assets (when it has a debit balance) or as part of its liabilities (when it has a credit balance) in the statement of financial position; and
- (b) the amount of the risk mitigation adjustment recognised in profit or loss during the period in the statement of comprehensive income.

Paragraphs 30F–30P would require an entity that applies risk mitigation accounting to disclose information that enables users of financial statements to understand:

- (a) how the entity manages repricing risk according to its risk management strategy;
- (b) how the entity's risk management activities could affect the amount, timing and uncertainty of its future cash flows; and
- (c) how risk mitigation accounting has affected the entity's statement of financial position and its statement of comprehensive income.

Paragraph 33A would apply to entities whose business and risk management activities have the characteristics specified in the proposed paragraph 7.1.4 of IFRS 9 but that choose not to apply risk mitigation accounting. Such entities would be required to provide a qualitative explanation of how they manage repricing risk.

Paragraphs BC148–BC171 of the Basis for Conclusions explain the IASB's rationale for these proposals.

Do you agree with these proposals? Why or why not? If you disagree with any of these proposals, please explain what you would suggest instead and why.

7. With respect to the qualitative disclosure required for entities that meet the criteria for applying risk mitigation accounting but choose not to apply it, the LIAJ is concerned that, depending on the level of granularity, such disclosure could impose a significant practical burden. We also note that, under past accounting standards, there appear to have been very few cases in which entities were required to provide disclosures when an accounting treatment was not applied.
8. In addition, where the level of disclosure required when an entity chooses not to apply risk mitigation accounting is unclear, it would be difficult for entities to estimate the associated costs. In particular, such disclosure could require the design, implementation, control and audit of a new explanatory framework, giving rise to concerns from a cost-benefit perspective.
9. From these perspectives, the LIAJ believes it would be desirable for the Board to clearly state that such disclosure is expected to be very high-level, and to provide illustrative examples of the disclosures required when an entity does not apply risk mitigation accounting.

Question 11—Risk management strategy

The questions below relate specifically to entities that issue insurance contracts as defined in IFRS 17 *Insurance Contracts*. When answering these questions, respondents should assume that insurance contract assets and liabilities are eligible to be included in underlying portfolios in accordance with paragraph 7.2.1.

Based on the proposals in this Exposure Draft:

- (a) please describe the extent to which your risk management strategy and activities align with, or differ from, the descriptions in paragraphs 7.1.1–7.1.2; and
- (b) please describe the extent to which your business and risk management activities align with, or differ from, the characteristics described in paragraph 7.1.4.

Would the proposals for risk mitigation accounting in this Exposure Draft achieve the IASB’s objective of better representing in the financial statements the economic effects of your activities for managing repricing risk compared with the currently available accounting options? Please explain why or why not, and what you would suggest instead.

Scope of the net repricing risk exposure

10. Paragraph 7.1.2 of the ED states that “the entity manages its exposure to either the variability in fair value (for fixed-rate instruments) or cash flows (for variable-rate instruments). However, when an entity manages repricing risk on a net basis, the entity could manage its exposure to variability in both the cash flows from, and the fair value of, its financial instruments.”
11. Furthermore, paragraph 7.1.3 states that “The objective of risk mitigation accounting is for financial statements to represent the economic effect of an entity’s risk management activities if the entity manages repricing risk on a net basis.”

12. Based on these statements, the ED appears to assume that, under risk mitigation accounting, the exposure managed on a net basis includes both variability in cash flows (for variable-rate positions) and variability in fair value (for fixed-rate positions).
13. In addition, Appendix A defines repricing risk as “A type of interest rate risk that exposes an entity to variability in the cash flows from, and the fair value of, financial instruments, arising from differences in:
 - (a) the timing of when financial instruments reprice to benchmark interest rates; and
 - (b) the amounts of financial instruments that reprice in a particular period.”These descriptions also appear to indicate that repricing risk encompasses both variability in cash flows and variability in fair value.
14. Taken together, these descriptions suggest that the ED is designed on the premise that the net repricing risk exposure managed on a net basis includes both variability in cash flows and variability in fair value.
15. However, in insurers’ risk management practices, duration matching is often achieved by matching insurance liabilities that have fixed-rate characteristics with assets that also have fixed-rate characteristics. Based solely on the descriptions in the ED, it is not necessarily clear whether the risks and exposures subject to such duration matching are intended to be included within the scope of “repricing risk” and “net repricing risk exposure” as contemplated in risk mitigation accounting. If, in future discussions, insurance liabilities are considered eligible to be included in underlying portfolios, the LIAJ would encourage the Board to consider explicitly clarifying that the exposures arising from fixed-rate assets matched against fixed-rate (insurance) liabilities—namely, exposures to variability in fair value, managed on a net basis—are included within the scope of “net repricing risk exposure”.
16. In addition, the term “benchmark interest rate” is generally understood to refer to a single interest rate index. As a result, it is not necessarily clear whether the definition of repricing risk encompasses insurers’ activities that consider the entire yield curve, such as duration matching. Consequently, insurers may find it difficult to determine which aspects of their own risk management correspond to the respective terms used in the ED, potentially giving rise to uncertainty in applying risk mitigation accounting.
17. Accordingly, if insurance liabilities are to be included within the scope of risk mitigation accounting, we believe it would be desirable to clarify how key terms used in risk mitigation accounting apply to insurers.

Recognition of the risk mitigation adjustment

18. In the insurance industry, many insurers hold financial assets measured at fair value through other comprehensive income and elect to recognise changes in the time value of money and other effects relating to insurance contract assets and liabilities in other comprehensive income.
19. In such circumstances, if a risk mitigation adjustment is recognised as an asset or a liability,

the interest rate component included in the fair value of financial assets that are subject to the risk mitigation objective or insurance contract assets or liabilities would result in a duplication across assets and liabilities. At the same time, only changes in the fair value of those financial assets that are subject to the risk mitigation objective or insurance contract assets or liabilities would be reflected in other comprehensive income. This approach would result in accounting mismatches in assets, liabilities and equity. As a result, it would not faithfully represent the economic effects of insurers' risk management activities and may not provide useful information to users of financial statements.

20. Accordingly, if insurance liabilities are considered eligible to be included in underlying portfolios in future discussions, we believe that it would be necessary to address such insurance-specific accounting mismatches in an appropriate manner.