



**Mike Monahan**  
Senior Director, Accounting Policy

November 12, 2018

Mr. Hans Hoogervorst, Chairman  
International Accounting Standards Board  
Columbus Building  
7 Westferry Circus  
Canary Wharf  
London E14 4HD  
United Kingdom

Re: IFRS 17, *Insurance Contracts*, effective date

Dear Mr. Hoogervorst,

The American Council of Life Insurers<sup>1</sup> (ACLI) appreciates the opportunity to comment on the Staff Paper (Agenda ref 2)-*Implications of exploring amendments to IFRS 17 for effective dates* to be discussed at the November Board meeting. ACLI has been an active participant over the past 15+ years in the development of this Standard. From the beginning, we have supported the project to provide a high-quality, principle-based approach for the accounting and reporting of insurance contracts.

Our members are very concerned about the cost and complexity along with resource constraints to implement the Standard. In addition, a significant factor for US-based insurance companies and foreign insurers with US subsidiaries is the fact that these companies will likely need to implement the US GAAP accounting standard for long-duration contracts-ASU 2018-12, Financial Services-Insurance (Topic 944) Targeted Improvements to the Accounting for Long-Duration Contracts (ASU) with the same effective date of 1/1/2021.

While we welcome the proposed one-year deferral in the effective date of IFRS 17, a one-year deferral is unlikely to be sufficient to address the needs of our member companies, for the following reasons:

1. **ACLI members will likely need to simultaneously implement IFRS 17 and the ASU.** IFRS 17 differs from the ASU in key areas of the accounting model. IFRS 17 is based on a gross premium model, while the ASU uses a net premium. Relative to the ASU, IFRS 17 employs different rules for separating components, contract boundaries, and many components of measurement. IFRS 17 includes an explicit risk adjustment and contractual service margin (CSM), unlike the ASU.

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<sup>1</sup> ACLI advocates on behalf of 290 member companies dedicated to providing products and services that promote consumers' financial and retirement security. 90 million American families depend on our members for life insurance, annuities, retirement plans, long-term care insurance, disability income insurance, reinsurance, dental and vision and other supplemental benefits. ACLI represents member companies in state, federal and international forums for public policy that supports the industry marketplace and the families that rely on life insurers' products for peace of mind. ACLI members represent 95 percent of industry assets in the United States.

These differences increase the cost, complexity, and work effort—with a finite pool of resources to utilize—to implement the two standards. Member companies are projecting the cost of implementation to run in the tens of millions of dollars with a projected total approaching \$1 billion.

2. **Sufficient time is needed to address implementation issues.** At the October IASB meeting, staff presented Paper 2D documenting 25 topics that the Board should review and consider for possible amendments to IFRS 17. Our assessment of the list is that it includes the significant issues of the insurance industry and that the Board should follow their due process and address these issues in a timely manner. A two-year delay in the effective date would provide the necessary time to address these concerns.
3. **Education and training are essential to successful implementation.** Not only is it critical for the education and training of insurance company staff to ensure the successful implementation, it is also critical that users of the financial information understand the impact of the differences between IFRS and US GAAP. This will be a time-consuming effort but one that is necessary to justify the cost and to maximize the benefits expected to be realized from the change in accounting guidance necessitating the delay in the effective date.
4. **Early adoption.** Companies who have the ability to implement the Standard early can early adopt, e.g., companies able to apply the Premium Allocation Approach to their business.

For the reasons described above, the change in the effective date is necessary. If you have any questions or wish to discuss our response in greater detail please contact me.

Sincerely,



Mike Monahan  
Senior Director, Accounting Policy