

IFRS 17

- **Insurance Europe and the CFO Forum published a joint response to the EFRAG IFRS 17 draft endorsement advice.** While Europe's insurers welcome that some improvements were made by the IASB in the final version of IFRS 17, the standard still contains a number of unresolved issues. **However, apart from an issue regarding annual cohorts, the industry agrees that these issues should not block the endorsement of IFRS 17** in the EU and can instead be addressed later as part of a post implementation review.
- **The annual cohorts issue, specifically with reference to intergenerationally mutualised and cash-flow matched contracts, is one of the industry's key priority issues,** and Insurance Europe regrets that the International Accounting Standards Board (IASB) has decided not to address this specific concern. If not addressed, it will have a significant impact for many insurers in Europe.
- Therefore, **Insurance Europe supports a European carve-out based solution for annual cohorts. The solution should not impact the effective date of 1 January 2023.** The European solution should equally not prevent companies that want to apply the annual cohort requirement in line with IFRS 17, as issued by the IASB, to do so.
- Insurance Europe and the CFO Forum wrote a joint letter to the EFRAG to outline its proposal for a solution to the annual cohorts issue in IFRS 17.
- **The industry contributed ideas on how a limited carve-out could be defined in a simple way using existing IFRS and European regulatory terminology, and building on the proposals from the CFO Forum, ICAC and the ANC.** The industry is confident that an appropriate carve out can be defined for Europe and will remain engaged and willing to support policy makers in finalising a solution.
- The focus now shifts to the political endorsement of the standard. **The industry has expressed a unified view** on endorsement on the condition that there is a European solution to the annual cohort issue and the effective date remains 1/1/2023. **It seeks a rapid political decision process to achieve this** and to remove as soon as possible the uncertainty over this project for companies in the process of their implementation projects.

IASB update on IFRS 9 PIR

- **The ban on recycling** for equities measured at Fair Value through Other Comprehensive Income (FVOCI) under IFRS 9 **is and remains a significant concern for the insurance industry.**
- **EFRAG sent its advice, recommending the Commission ask the IASB to "expeditiously" reconsider the need for recycling for equities measured at FVOCI,** in February 2020. The European Commission sent a letter to the IASB with this request.
- **The industry welcomed the IASB decision to start the IFRS 9 Post Implementation Review** with "classification and measurement" and understand that the ban on recycling will be part of the first phase of the PIR. We regret, however, that the IASB indicated that should they decide to reintroduce recycling for FVOCI equities, the change would not take effect before 2023.

ESAP

- Non-financial data is particularly relevant when ambitious and fast-paced policy actions rely on its availability, as is the case for sustainable finance. Robust, comparable and reliable environmental, social and governance (ESG) data is also vital for identifying and assessing sustainability risks in insurers' activities and is necessary to enable investors, such as insurers, to steer their portfolios towards sustainability objectives: eg the ambitions of the Paris Agreement and of the European Green Deal.
- Therefore, **the Commission's ESAP initiative is welcome.** Care should be taken to ensure that any wider scope beyond ESG data does not slow down the availability of ESG data within the ESAP.
- Data included into the ESAP must also be fully aligned with the regulatory requirements set by the Sustainable Finance Disclosure Regulation (SFDR), Taxonomy Regulation and the Non-Financial Reporting Directive (NFRD).
- The ESAP could also help to minimise related costs for participants, as they would no longer be forced to rely on third-party providers for ESG data. In addition, it can help to improve transparency about ESG data and enhance the comparability and reliability of research and ratings.