

International Accounting Standards Board
Attn. Mr. H. H. Hoogervorst
7 Westferry Circus
London, E14 4HD
United Kingdom

21 May 2021

Dear Mr. Hoogervorst

**May 2021 IASB meeting - Agenda paper 2:
Initial application of IFRS 17 - financial assets derecognised in the comparative period**

This letter has been drafted by the European Insurance CFO Forum (“CFO Forum”), a body representing the views of 23 of Europe’s largest insurance companies, and Insurance Europe, representing 95% of the premium income of the European insurance market. Accordingly, it represents the consensus view of the European insurance industry.

In our letter of 6 May 2021, we highlighted our concerns on the treatment of comparative information upon transition to IFRS 9 in combination with IFRS 17. As we have highlighted in that letter, this is a significant issue that must be addressed to be able to present meaningful comparatives upon the transition to IFRS 9 in combination with IFRS 17. Therefore, we appreciate that the IASB has taken this issue on the agenda of its May meeting and that the IASB staff has developed the proposal included in Agenda paper 2 for the May meeting, that could help in eliminating the accounting mismatch for assets that are measured at amortised cost under IAS 39.

However, we are very disappointed that Agenda paper 2 does not address the main issues that we have raised in our letter, resulting from the broader differences in classification, measurement and presentation between IAS 39 and IFRS 9. The use of two different accounting standards in the comparative period will lead to heterogeneous accounting for investments in the comparative period. This significantly undermines the usefulness of the financial information whilst significantly increasing operational complexity. In summary, our main issues with the current requirements on IFRS 9 comparatives are the following:

1. The use of IAS 39 to account for investments derecognised during the comparative period affects the presentation in the opening balance sheet and the recognition of gains and losses in the income statement of the comparative period, as well as related disclosures. Users of financial statements require consistent and comparable financial information and would be better informed by presenting fully restated comparatives. Entities may prepare such fully restated information anyway for presentation outside the IFRS financial statements, whilst users would be better served by including this information in the IFRS financial statements. Furthermore, as the population of financial instruments that will be derecognised during the comparative period will only be known at the end of the year, the opening balance sheet of the comparative period and the interim financial information during the comparative period cannot be prepared until the comparative year has ended. This approach will create issues for entities that prepare IAS 34 interim financial statements during 2022 and will not meet the needs of users, who expect information already during the period of transition; it will also significantly complicate the audit of the comparative information during 2022.

2. The existing transition requirements are operationally very burdensome or even impossible to apply from a practical perspective for insurance companies and significantly increase the costs and resources needed to implement IFRS 9. These operational complexities will disincentivise insurance companies from restating comparative information in the first financial statements applying IFRS 9 and 17, if at all practically possible. As a result, many insurers may be enticed to present in the IFRS financial statements comparative information applying IFRS 17 but not IFRS 9. As IFRS 17 and IFRS 9 are highly interrelated, restating the comparative information only for IFRS 17 may negatively affect the usefulness and transparency of insurers' financial statements in the first year of adopting IFRS 9 and 17. Furthermore, insurers may present full IFRS 9 comparatives as pro forma information, which may also be confusing for users.

In light of these challenges, we are very disappointed that Agenda paper 2 for the May IASB meeting focusses only on the accounting mismatch for assets at amortised cost. Whilst that is a valid issue, it is not the only issue and certainly not the most relevant issue in practice. We therefore reinforce our position that the issue of comparatives under IFRS 9 must be approached more comprehensively to address both the conceptual and operational complexities.

We believe that this important issue can be solved comprehensively with a relatively simple (and operationally less complex) amendment to IFRS 9 or IFRS 17 that would only be relevant to insurers that adopt IFRS 9 in combination with IFRS 17.

Please share this letter with the members of your Board so that it can be considered before the upcoming meeting. We would appreciate the opportunity to discuss the above with you or your staff at your earliest convenience.

Yours sincerely,



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