



European Financial Reporting Advisory Group

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cc: Roberto Gualtieri, Valdis Dombrovskis, Olivier Guersent and Alain Deckers

Brussels, 26 October 2018

Dear Mr Enria, Mr Bernadino and Mr Maijor,

Endorsement process of IFRS 17 *Insurance Contracts*

Thank you for your letter of 18 October and sharing with us your observations on EFRAG's process for preparing an endorsement advice process on IFRS 17 *Insurance Contracts*.

EFRAG has been working on the endorsement advice since receiving the request of the European Commission in October 2017. The EFRAG Board has been closely involved throughout this process, and has been considering technical advice of the EFRAG Technical Expert Group (EFRAG TEG) and the Working Groups and Panels that provide input to EFRAG TEG, including the EFRAG Insurance Accounting Working Group and the EFRAG User Panel. EFRAG has also been working on the various calls in the European Parliament's resolution on IFRS 17.

In the process of preparing a draft endorsement advice, EFRAG has also been developing a detailed impact analysis and has sought input from a wide range of constituents. Sources of input include an extensive case study with the participation of eleven large European insurance companies and a simplified case study with the participation of forty-nine European insurance companies of varying sizes. EFRAG also carried out extensive user outreach.

As you are aware, EFRAG sent a letter to the IASB on 3 September. EFRAG's objective in sending this letter was to seek clarification as to whether IFRS 17 as published in May 2017 can be regarded as a stable platform for the purposes of EFRAG's endorsement advice. EFRAG's letter also identified certain matters which, in the EFRAG Board's view, merit further consideration by the IASB. These matters were identified by EFRAG Board members based on the review of the EFRAG Board of the concerns raised by EFRAG's constituents and evidence obtained during EFRAG's outreach activities. The EFRAG Board determined that it would be timely both to seek



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clarification and to communicate these matters in view of the IASB's ongoing discussions on IFRS 17 and indications that some changes are contemplated. I should like to emphasise that EFRAG has not yet determined the impact of these matters on our draft endorsement advice.

If the IASB's response to EFRAG is that IFRS 17 will not be changed then EFRAG will continue with the preparation of a draft then final endorsement advice, albeit with some delay compared to the original, ambitious timetable. Should the IASB decide to re-open IFRS 17 then EFRAG will suspend its endorsement advice for the duration of the IASB's re-deliberations and will contribute to the IASB's due process during that period.

We greatly appreciate the contribution of the ESAs as official observers with speaking rights on the EFRAG Board, EFRAG TEG and the EFRAG Insurance Working Group and look forward to the ESAs' continuing participation in our ongoing work on IFRS 17.

I hope to have clarified the steps we are taking in full transparency in the endorsement advice process.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'JP Gauzès', written in a cursive style.

Jean-Paul Gauzès
EFRAG Board President