



To: Mr Jean-Paul Gauzes
EFRAG Board President
EFRAG
Square de Meeûs 35 – 1000 Brussels

From: Insurance Europe

Date: 21 December 2017

Reference: ECO-FRG-17-143

Subject: EFRAG's Discussion Paper "Goodwill impairment test: Can it be improved?"

Dear Mr Gauzès,

Insurance Europe welcomes the opportunity to comment on the EFRAG's Discussion Paper "Goodwill impairment test: Can it be improved?", issued by EFRAG on the 29 June 2017 for public comments.

Significant concerns have been raised on the existing accounting regime for goodwill purchased in a business combination, i.e. impairment only approach, during the recent IASB's Post Implementation Review on IFRS 3 Business Combinations. Consequently, the IASB decided to approach these concerns. Specifically, the IASB aims to find out whether existing accounting regime should be maintained and improved or whether the re-introduction of the mandatory amortization of goodwill should be proposed to the IFRS constituency as a next step. Insurance Europe appreciates the considerable efforts of EFRAG to stimulate the discussion on different approaches for goodwill accounting at European level with all interested stakeholders.

The European insurance industry takes a particular interest in the ongoing debates at the level of the IASB and EFRAG on the future of goodwill accounting in IFRS. Insurance Europe agrees that the current goodwill accounting treatment under IFRS needs a revision. However, **Insurance Europe has concerns that the pre-acquisition headroom approach currently explored by the IASB and the goodwill accretion approach proposed in the EFRAG Discussion Paper will introduce additional complexity and operational cost without clearly demonstrating benefits.**

These concerns also arise in relation to a number of other specific aspects of the EFRAG's paper, eg the additional calculation steps or introducing additional disclosure requirements (e.g. reconciliation of the total goodwill allocated to each CGU and tracking of goodwill by individual acquisition, paragraphs 2.18-2.20); the suggested removal of one of the methods to calculate the recoverable amount (Question Q3.1); and the introduction of a (optional) "Step Zero" (Question Q2.1).

We urge EFRAG to revisit the direction of the research work on the goodwill accounting issue and to focus more on ways which really simplify the goodwill accounting practice in a significant manner and contribute to cost reduction at preparers and users side.

To support this, Insurance Europe suggests to **consider creating an EFRAG Goodwill Accounting Working Group (GAWG)** to utilize current existing practical expertise of European accounting practitioners in this respect.

Finally, Insurance Europe has the view that the general underlying controversy on the right approach for **goodwill accounting needs a pragmatic solution**, i.e. a compromise approach that is pragmatic from an operational perspective and yet retains much of the relevant conceptual underpinning. This **might take the form of allowing for an accounting policy choice**, i.e. allowing amortization and impairment only as optional approaches for the reporting entity to choose between at the reporting entity level, with appropriate disclosure.



The rationale for our suggested approach is set out in detail in our position paper ([ECO-FRG-16-137](#)) which we attach for your convenience.

Please do not hesitate to contact us if you would like to discuss our comments in more detail.

Yours sincerely

A handwritten signature in blue ink, appearing to read "Olav", with a long, sweeping underline.

Olav Jones,
Deputy Director General & Director ECOFIN