



To: Mr Alain Deckers  
Head of Unit Audit and Credit Rating Agencies  
DG FISMA — Directorate-General for Financial Stability, Financial Services and Capital Markets Union  
European Commission  
Rue de Spa 2 – 1000 Brussels

From: Insurance Europe

Our  
reference: ECO-FRG-21-028

Subject: Insurance Europe IFRS 17 position and potential solution to annual cohorts

Brussels, 2 February 2021

Dear Mr. Deckers,

We have welcomed the improvements in the IASB's targeted amendments to IFRS 17 "Insurance Contracts" on 25 June 2020. However, following the IASB's refusal to provide a solution to the annual cohorts issue, we would like to contribute to the Commission's work on a suitable way forward at EU level. While we understand that the Commission is waiting for EFRAG's endorsement advice due at the end of March 2021, we hope that you will consider our constructive contribution in your preparatory activities for the next steps in the IFRS 17's endorsement process.

The European insurance industry continues to support the International Financial Reporting Standards (IFRS) and the role they play in supporting international comparability among insurers and a global level playing field.

The annual cohorts issue, specifically with reference to intergenerationally mutualised and cash-flow matched contracts, was one of the industry's key priority issues and Insurance Europe regrets that the IASB 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 to annual cohorts for such type of contracts. The solution should not impact the effective date of 1 January 2023. The European solution should equally not prevent companies who want to apply the annual cohort requirement in line with IFRS 17 as issued by the IASB to do so.

A carve-out with a limited scope is an option that should be explored as soon as possible and Insurance Europe has worked with its members and with the CFO Forum to identify how a suitable scope for a limited carve-out could be defined. This incorporates existing terminology of IFRS and builds on the proposals from the CFO Forum, ICAC and the ANC, taking into account that we are now in a European context which opens up the potential simplifications of the text. Please see below a potential definition of a principle-based limited scope exception.

**Potential solution for European carve out**

An entity is not required to apply paragraph 22 for contracts which, at initial recognition, fulfil either of the following criteria:

- Or
- a) Contracts described in IFRS 17 B67 and B68 that also meet the criteria of IFRS 17 B101.
  - b) Contracts and related assets meet the conditions set out in Article 77b of the Solvency II - Directive 2009/138/EC



Should the solution require refinement or adjustment, we are open and ready for discussion on how the scope definition can be finalised. For example, in the annex we have included an example of other text that has been discussed within the industry.

We hope, at some point in the future, the IASB will allow the same outcome for annual cohorts that we achieve in the EU. Insurance Europe will continue to engage with the IASB to try to achieve this so that this European difference from IFRS 17 would be temporary.

We would welcome the opportunity to discuss any aspect of our comments in more detail.

Yours sincerely,

A handwritten signature in blue ink, appearing to read "Olav Jones", is written over a horizontal line.

Olav Jones  
Deputy Director General, Director Economics & Finance

**Annex: Example other text that has been discussed within the industry**

**Potential alternative solution for European carve out (B101 replaced by reference to participating features)**

An entity is not required to apply paragraph 22 for contracts which, at initial recognition, fulfil either of the following criteria:

a) Contracts described in IFRS 17 B67 and B68 that also have participating features.

Or

b) Contracts and related assets meet the conditions set out in Article 77b of the Solvency II - Directive 2009/138/EC