

To: Financial Reporting Working Group
From: PAC department
cc: Public Affairs & Communications Committee
Date: 15-06-2018
Reference: ECO-FRG-18-084

Subject: IFRS 17 Draft Motion for a Resolution – Insurance Europe comments on proposed amendments

Proposed Actions

- The secretariat will continue engagement with the European Parliament in view of the consideration of amendments and the ECON vote on 19 June.
- If engaging with national ECON MEPs, members are invited to do so in line with Insurance Europe agreed position and voting recommendations below before 18 June.
- The secretariat is ready to provide further information and assistance, should members require it.

Summary

On 12 June, the European Parliament published the proposed [amendments](#) to the **ECON draft Motion for a Resolution on IFRS 17 'Insurance contracts'** ([here](#)). The ECON committee will vote on the draft motion for a resolution at its meeting on 19 June.

Following discussion at the Financial Reporting Working Group meeting on 14 June, members' common view is that Insurance Europe should:

- **support amendments: 3, 8, 11, 12, 20-23**
- **oppose amendments: 6, 10, 13, 16-18**

Detailed comments and justification

The following amendments will bring clarity and help address outstanding concerns in line with key messages ([ECO-FRG-18-078](#)) and **should be supported:**

- **AM 3 and AM 11:** In addition to the level of aggregation, the contractual service margin and transitional requirements, reinsurance and the operational impact of the standard should be added to the list of controversial areas already identified by EFRAG.
- **AM 8:** When considering potential benefits of the standard to investors and the public, consideration should also be given to the extra cost and complexity for insurers to avoid requirements generating very high costs with little to no useful information for users. Concerns in this respect include requirements on level of aggregation, presentation of Balance Sheet and premium allocation approach.
- **AM 12:** IFRS 17 implementation represents fundamental changes to insurance accounting requirements. It is important that the identified industry concerns are comprehensively assessed. Consideration should be given to the timeframe based on field testing results.
- **AM 20:** EFRAG should investigate any mismatches between IFRS 9 and IFRS 17, as both will apply for insurance companies as of 2021. We do not believe there is a specific need to publish a separate study for that purpose, especially considering timing constraints.
- **AM 21:** Some contracts issued by insurance companies (fixed fee contracts) can be interpreted as falling under the scope of IFRS 15 rather than IFRS 17. EFRAG should assess whether this accounting treatment is appropriate. This is a matter of accounting standard interpretation; calling it "regulatory arbitrage" is inappropriate.

- **AM 23:** The level of aggregation requirement in the standard should be a fair representation of how the business is managed.

The following amendments have been identified by the secretariat and members as problematic and it is considered that they **should NOT be supported:**

- **AM 6:** IFRS 17 is designed to offer more transparency and comparability to financial statement users. For example, changes in assumptions and the release of profit through the contractual service margin will be reflected in the financial statements in a transparent manner. Suggesting preparers would manipulate and use “creative accounting” is an unfair concern.
- **AM 10:** IFRS 17 requires the split of realized and unrealized gains in the primary financial statements, and are subject to disclosures in the notes. Suggesting that insurers do not disclose “realized and unrealized income” is an unfair statement.
- **AM 13:** EIOPA’s role does not include providing advice on the endorsement of an accounting standard.
- **AM 16-18:** The existing text notes ESMA and EBA as sources for certain concerns to be assessed by EFRAG. This is enough – the amendments suggest a change in role for the ESAs beyond their observer status. In particular, the text in amendments 16 and 18 indicating that EFRAG should liaise closely with EBA/ESMA is not appropriate.

Next Steps:

- **19 June:** Vote in EP ECON on draft MfR
- **2-5 July (tbc):** Vote in EP plenary on MfR