

## Comments in view of ARC meeting, 19/03

### IFRS 17

- **The European insurance industry is committed to the development of high-quality financial reporting standards and welcomed the IASB decision in June 2018 to reconsider certain aspects of IFRS 17.** Insurers have made significant contributions to the development of IFRS 17 'Insurance contracts' and are engaging significant efforts and considerable resources into its implementation.
- **Insurers require accounting standards that appropriately represent their business model in order to offer appropriate products and services to customers and continue to act as long-term stable investors into the economy.** This means additional effort needs to be made to ensure the standards recognise that insurance is a multiyear, long-term business, is based on portfolios and not single contracts, has assets and liabilities that interact, has risk and risk mitigation as core activities rather than side-effects.
- **While the industry broadly supports the goals of the IASB,** the IFRS 17 standard published in May 2017 was not good enough and **changes were needed** to achieve suitably high-quality global accounting standards that provide meaningful, consistent and reliable financial reporting and avoided excessive implementation costs.
- Following the European field-testing of the standard organised by EFRAG, **the insurance industry identified a number of important issues that needed to be addressed and proposed solutions to them. The industry also called for implementation to be postponed to 1 January 2023** to allow time for the IASB to make the necessary improvements to the standard and to allow enough time for the wide range of European insurers affected to implement the standard. **Many of these concerns were also raised by the Parliament** in their [Motion for Resolution](#). **EFRAG also called for a number of improvements to the standard and more recently identified 2023 as the realistic effective date.**
- The industry appreciates that the IASB also recognised the need to improve the standard. We **welcome that progress has been made on a number of the industry's issues including the recent recommendation by IASB staff to delay the effective date to 2023.** However, we are **very disappointed that the IASB has decided to maintain certain important requirements unchanged.** The industry, and in some cases auditors, have highlighted flaws in the IASB's justification for taking no action on some of the issues. Of special concern is the lack of improvements on annual cohorts and transition - two of the three industry priority issues.
- The IASB's **decision to retain the annual cohort requirement unchanged** despite the calls from EFRAG, the European Parliament and the industry for modifications **has, in particular, surprised and frustrated European insurers.** The annual cohort requirements, increases significantly the cost and complexity of IFRS 17, does not reflect mutualisation. The information provided does not justify the costs.
- This has reignited discussions within the European industry over the potential merits of and need for Europe to diverge from the IASB's IFRS texts. There is a clear preference across all the industry for this issue to be solved by the IASB on a global level. There is ongoing discussion within the industry on this issue, however, assuming the IASB maintains its decision, a growing section of the European insurance industry sees the use of carve in/out as potentially necessary for IFRS 17 to meet European needs including public good requirements.
- See Annex 1 for an analysis of the extent to which European concerns about IFRS 17 have been addressed by the IASB.

## Non-Financial Reporting Directive

- **Insurers welcome review of Non-Financial Reporting Directive**, and call for ESG data/assessments to be reported directly by investee companies
- Insurance Europe has published its [response](#) to a consultation by the European Commission on an impact assessment on the review of the Non-Financial Reporting Directive (NFRD), which covers reporting on topics such as environmental protection and social responsibility.
- Insurance Europe welcomed the review and acknowledged the need to update the Directive to address an increase in sustainability data requirements, as well as wider reforms currently taking place on sustainable reporting. This includes the regulation on sustainability disclosures in the financial services sector and the regulation on a classification system (taxonomy) of sustainable economic activities.
- There is strong support in the insurance industry for transparent **ESG data/assessments to be reported directly by investee companies**. This will help address issues with the availability and quality of data that can currently hinder insurers' work to comply with their regulatory obligations in relation to ESG data.
- While strong requirements would be helpful for companies in determining what to report on, Insurance Europe highlighted the need for the Commission to consider flexibility, materiality and proportionality when developing guidance or requirements.
- The industry also called for a separation of financial reporting requirements and ESG reporting. This would help to avoid operational overload and to allow flexibility in how insurers design and implement internal processes and reporting timetables.

## Annex 1: IFRS 17 issues – comparative analysis

The annex below offers a comparative analysis between the issues raised by the [industry](#), by the European Parliament in its [Motion for a Resolution](#), and by [EFRAG](#) – and the IASB’s proposed amendments through the re-deliberations process.

Issue	Industry issues	EP Motion for resolution	EFRAG issues	IASB: Current situation
Level of aggregation (Annual Cohorts)	<b>X (Priority)</b>	X	X	<b>No change</b>
Transition	<b>X (Priority)</b>	X	X	<b>Limited relief</b>
Presentational issues (incl interim financial statements)	<b>X (Priority)</b>	X	X	<b>Largely addressed</b>
Reinsurance	X	X	X	Largely addressed
CSM amortisation	X		X	Partially addressed
Acquisition cash flow	X		X	Largely addressed
Scope of hedging (risk mitigation option)	X		X	Largely unaddressed
Scope of VFA model vs GMM vs PAA	X			No change
Discount rates	X			No change
Multi-component contracts	X			Partially addressed *
Business combinations	X			No change
Interaction and mismatch between IFRS 9 and IFRS 17	X	X		Partially addressed
Timing	X	X		Effective date postponed to 2023 (subject to confirmation on 17 March)

