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IFRS IC Tentative Agenda Decisions in the final phase of implementing IFRS 17 Insurance Contracts

Cover Note and Comment Letter analysis

Objective

- 1 The objectives of the session are to:
 - (a) consider the feedback received in response to EFRAG's draft letter on IFRS IC Tentative Agenda Decisions in the final phase of implementing IFRS 17 *Insurance Contracts*; and
 - (b) approve a final letter.

Background

- 2 On 21 April 2022, EFRAG published a draft letter on the IFRS IC's Tentative Agenda Decisions in the final phase of implementing IFRS 17 Insurance Contracts and the comment deadline was 17 May 2022.
- 3 In the Draft Letter, EFRAG reported concerns heard from its constituents that the Tentative Agenda Decision, and other interpretation issues that may arise less than one year before the date of first application of IFRS 17, would unduly disrupt the implementation of the Standard. Given the significant efforts to implement IFRS 17 by insurance entities, EFRAG kindly reminded the IFRS IC that an Agenda Decision may have a potential impact on implementation at this stage and emphasised the importance of the IFRS IC undertaking outreach before any Tentative Agenda Decisions.

Comment letters received

- 4 EFRAG received comment letters from seven respondents (representing preparers, preparer organisations and National Standard Setters). The Appendix lists the details of the respondents and links to access the comment letters received.

Summary of comments received

- 5 Six respondents supported EFRAG's draft letter. Three of these respondents indicated that it is necessary to have a period of stability before the effective dates of IFRS 17 and IFRS 9 while one respondent indicated that an appropriate period of stability is needed.
- 6 Reasons provided for this support include:
 - (a) The respondent is currently performing a 'parallel run' of IFRS 4/IAS 39 and IFRS 17/IFRS 9 and finalising the opening balances for 2022. Any potential decisions or further guidance from the IFRS IC would require significant time for analysis by scarce experts heavily involved in the implementation projects.

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This may then jeopardise the implementation process and the timely application (seven respondents). One of these respondents also highlighted that there would be a huge impact on operational costs.

- (b) The unfortunate situation needs to be addressed to avoid that specifically those reporting entities with well-advanced IFRS 17 projects would be 'punished' (one respondent).
- 7 In terms of prevalence, one respondent indicated that the issue related to 48% of the life in-force portfolio in the insurance Spanish market.
- 8 Additional comments/suggestions made (that are not specifically in EFRAG's draft letter) are:
- (a) The recent submission to the IFRS IC "*Suggested agenda item: Foreign currency considerations on accounting for insurance contracts*" might impact core elements of the IFRS 17 implementation work (e.g., level of aggregation). It would be disruptive and also raises concerns (two respondents).
 - (b) One respondent indicated that their preference would be to pause the IFRS IC's activities on IFRS 17-related submissions to the greatest possible extent in order to provide an appropriate period of stability. While another respondent stated that agenda decisions should only be issued when sufficient market practice with IFRS 17 has emerged.
 - (c) Should the IFRS IC continue to proceed with the requests submitted as they arrive, there were the following suggestions:
 - (i) To consider potential alternative options to proceed (e.g., collection and deferral of some submissions until the PIR of IFRS 17. (three respondents).
 - (ii) To have an appropriate involvement of the TRG for IFRS 17 in the consultation and outreach process of the IFRS IC given the significant and high level of the TRG members (three respondents). GDV, Allianz, ASCG]
 - (d) One of the respondents suggested that the IFRS IC thoroughly discusses, and potentially clarifies, how the principle "sufficient time" to implement applies in the respective context.
- 9 Views of a technical nature were also provided by four respondents, and these are as follows:
- (a) IFRS 17 is principles-based. Its adoption requires reporting entities to exercise discretion and to apply professional judgment. It does not mean uniformity of the methods applied (three respondents).
 - (b) The Tentative Agenda Decision does not correctly portray the insurance services under the contracts. Both Approaches A and B represent valid interpretations of the IFRS 17 principles (three respondents).
 - (c) One respondent agreed with the conclusions of the IFRS IC on the technical matter.

EFRAG Secretariat recommendation

- 10 Setting aside the technical comments received on the IFRS 17 principles (as the EFRAG FR Board agreed that the letter should not include technical content), EFRAG's draft letter had captured the main concerns from respondents.
- 11 Also, at its meeting on 19 April 2022, the EFRAG FR Board agreed to delete the reference to TRG and to emphasise the importance of the outreach conducted by the IFRS IC prior to their Tentative Agenda Decisions. Therefore, the EFRAG Secretariat does not suggest including a reference to TRG in the final letter.

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- 12 In addition, given that the concerns relate to implementation before the effective date, the EFRAG Secretariat recommends adding a sentence encouraging the IFRS IC to explain how they have taken 'sufficient time needed to implement' into account for Agenda Decisions.

Question for EFRAG FR Board

- 13 Does EFRAG FR Board agree with the EFRAG Secretariat recommendation and approve the final letter? Please explain.

Agenda Papers

- 14 In addition to this cover note, agenda papers for this session are:
- (a) Agenda paper 01-02A – Final letter – marked-up;
 - (b) Agenda paper 01-02B – Final letter – clean.

Appendix – List of respondents

15 Below is the list of respondents to the draft letter and the links to access the comment letters received:

Respondent	Country	Type/Category
Allianz SE	Germany	Preparer
German Insurance Association (GDV)	Germany	Preparer organisation
CaixaBank	Spain	Preparer
European Savings and Retail Banking Group (ESBG)	Europe	Preparer organisation
ICAC	Spain	National Standard Setter
Insurance Europe and CFO Forum	Europe	Preparer organisation
Accounting Standards Committee of Germany (ASCG)	Germany	National Standard Setter