



To: EFRAG
Attn: Jean-Paul Gauzès
35 Square de Meeûs
B-1000 Brussels
Belgium

Our reference: ECO-CORP-22-127

Subject: **Insurance Europe response: Better information on intangibles – which is the best way to go?**

Brussels, 30 June 2022

Dear Jean-Paul,

Insurance Europe, which represents 95% of the premium income of the European insurance market, welcomes the opportunity to comment on EFRAG's discussion paper (DP) on "Better information on intangibles – which is the best way to go?", issued in August 2021.

Insurance Europe supports EFRAG engaging in pro-active research activities to influence the development of the global International Financial Reporting Standards (IFRS) to promote solutions that improve the quality and practicality of the standards and enhance transparency and accountability. It welcomes the thorough analysis of the status quo and of the different alternative ways forward set out in the DP.

While not providing a detailed response to the specific questions raised in the DP, Insurance Europe would like to convey its general assessment and emphasise which aspects are important to European insurers.

- Goodwill amortisation should be re-introduced as an alternative option for companies to apply alongside the current impairment-only approach. Having both these options is necessary to allow for an appropriate reflection of goodwill in all situations, including entities growing organically and those growing via acquisitions.
- It should be explicitly acknowledged that it is not the objective of financial reporting to explain or to bridge the gap between the market capitalisation of an entity and its book value.
- Insurance Europe does not believe that deficiencies in recognition and measurement should be addressed via extensive disclosure requirements for the notes and/or the management commentary, as this increases the risk of information overload in the financial statements. Care should also be taken to avoid accounting approaches and outcomes which might be conceptually very appealing but are difficult to operationalise, measure and audit in day-to-day practice.
- Europe's insurers do not believe that any fundamental changes to International Accounting Standard (IAS) 38 are warranted as far as the recognition of all internally generated intangible assets is concerned. Should any changes be envisaged, it is indispensable that they are thoroughly assessed from a cost-benefit perspective, explicitly considering the operational perspective of reporting entities in different sectors, including the insurance industry.
- Disclosure of information on specific intangibles (in the note to the financial statements that relates to intangible assets) should be limited to those recognised as an asset in the balance sheet.



- Relevant information on future-oriented expenses (without disclosing sensitive information from a competitive point of view) might be useful if robustly defined and evaluated from an operationality and cost-benefit perspective, but they should be placed in the management report if anywhere. The ongoing International Accounting Standards Board (IASB) project on management commentary is a suitable opportunity to evaluate the robustness of this idea.

Finally, Insurance Europe recommends sharing the outcome of the valuable EFRAG research activity with the IASB and would be happy to provide further information on the comments above.

Yours sincerely,

A handwritten signature in black ink that reads "Olav B. Jones". The signature is written in a cursive style with a large, sweeping flourish at the end.

Olav Jones
Deputy Director General
Insurance Europe