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Mr Jean-Paul Gauzès  
Chairman EFRAG Board  
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B-1000 Brussels

PDC n°21

**EFRAG's Draft Endorsement Advice on IASB's amendments to IFRS 4 *Insurance Contracts*—  
Extension of the Temporary Exemption from Applying IFRS 9 *Financial Instruments***

Dear Jean-Paul,

I am writing to you on behalf of the Autorité des Normes Comptables (ANC) to express our view on the above-mentioned Draft Endorsement Advice.

The business model of many entities undertaking insurance activities is based on asset–liability management, with the objective of investing in assets in order to generate income and capital appreciation to cover insurance liabilities and provide profit for policyholders and shareholders. Accordingly, IFRS 9 and IFRS 17 *Insurance Contracts* will play a very interactive and pervasive role in presenting those entities' financial position and performance. Requiring such entities to apply IFRS 9 before IFRS 17 has the potential to significantly reduce the quality of information available to users (in particular because of accounting mismatches) and to increase the implementation costs for preparers of those Standards. EFRAG's 2015 Endorsement Advice on IFRS 9 raised the issue of the non-alignment of the effective dates of IFRS 9 and IFRS 17 and concluded that '*overall IFRS 9 is conducive to the European public good, except for the impact on the insurance industry of applying IFRS 9 before the finalisation of the forthcoming insurance contracts standard [IFRS 17]*'.

ANC has always been supportive of the IASB's efforts to provide a remedy to this issue. Accordingly, we agree with the extension of the temporary exemption from applying IFRS 9 until 1 January 2023 (ie the expected effective date of IFRS 17) that is included in the amendments to IFRS 4.

ANC agrees with EFRAG's assessment that the amendments are not contrary to the principle of true and fair view and meet the criteria of understandability, relevance, reliability, comparability and lead to prudent accounting.

With regard to the assessment of whether the amendments are conducive to the European public good, ANC concurs with EFRAG's conclusion that the aforementioned amendments will improve financial reporting. We also agree with EFRAG's assessment of the costs and benefits related to the amendments and with EFRAG's conclusion that the benefits of the amendments are expected to outweigh the costs involved. Additionally, we share EFRAG's analysis in relation to the potential competition issue in the European Union. Consistent with our [letter](#) dated 13 December 2016, we think the exemption from IFRS 9 should also be available to entities undertaking insurance activities that are not predominant insurers. The amendments to IFRS 4 still do not address the cost concerns of many of those entities and thus, do not solve the imbalance that has been existing among entities undertaking insurance activities since the temporary exemption from IFRS 9 was introduced. For this reason, we think that the amendments are conducive to the European public good, except for entities that undertake activities that are not predominant insurers.

As explained above, the interaction between IFRS 9 and IFRS 17 will play a pervasive role in presenting many insurance entities' financial position and performance. Paragraph 7 of Appendix III to the Draft Endorsement Advice outlines this fundamental linkage and explains that the amendments to IFRS 4 were developed to align the effective dates of IFRS 9 and IFRS 17. In our view, this conceptual linkage should have led EFRAG to recommend the expiry date of the temporary exemption from applying IFRS 9 be linked to the effective date of IFRS 17. As a counterpart, EFRAG should proactively pursue its efforts for the issuance of a timely endorsement advice on IFRS 17 to avoid any undue delay.

Should you need any further information, please do not hesitate to contact me.

Yours sincerely,

A handwritten signature in blue ink that reads "Patrick de Cambourg". The signature is written in a cursive style with a long, sweeping underline that extends to the right.

Patrick de CAMBOURG