

**Ministry of Finance**  
**Undersecretary of State**  
**Piotr Patkowski**

DWR8.9001.11.2020

Mr. Jean-Paul Gauzès  
EFRAG Board President  
EFRAG  
35 Square de Meeûs  
B-1000 Brussels  
Belgium

Dear Mr. Gauzès,

Re: EFRAG draft endorsement advice on IFRS 17 “Insurance Contracts”

The Polish Ministry of Finance would like to thank EFRAG for all its efforts in the due standard setting process of IFRS 17 and its further improvements. Referring to EFRAG extensive work on draft endorsement advice we would like to provide our opinion on IFRS 17 “Insurance Contracts” as amended in June 2020.

In our view the new IFRS 17 standard (as compared to IFRS 4) would significantly contribute to the improvement of the quality of the financial statements in the insurance sector and raise the comparability among them. However, the main outstanding and problematic issue is the annual cohort requirement in the context of intergenerationally-mutualised and cash-flow matched contracts. As the Ministry of Finance we have consulted with our stakeholders the issue of endorsing IFRS 17 including this annual cohort requirement. Based on the feedback received we are of the opinion that this requirement might constitute a significant reporting burden for preparers currently affecting around 20% of insurance products in Poland. According to the insurance sector the implementation of the annual cohort requirement would not be possible at the level of reasonable financial costs and human resources. This requirement leads to the mandatory allocation of cash-flows concerning assets covering the technical provisions to each particular annual cohort (which in practice means the allocation to individual policy holders). This would result in significant changes in the IT systems and processes and related changes in the accounting systems and human resources to make them able to proceed a higher amount of data without any added value for the users due to the fact that these types of insurance contracts imply that the gain is recognised at the level of a product and not at the level of an annual cohort.

Moreover the annual cohort requirement neither respects nor reflects the economic characteristic of the life insurance products with risks mutualisation and the measurement of the contractual service margin is not aligned to the fundamentals of these type of insurance contracts. Therefore it might lead to the misrepresentation of financial information concerning this type of insurance contracts, which might result in little usefulness for users of financial statements. Moreover in Poland only one insurer has an

obligation to prepare IFRS consolidated financial statements and the problem with comparability issues does not exist on the national level. Additionally the annual cohort requirement might have significant negative impact on the development of the life insurance market in Poland due to high implementation costs.

Our national consultations concerning the final version of IFRS 17 brought us to the conclusion that although the consistency of IFRS as adopted by the EU with full IFRS is very important for regulators, preparers and users, the concerns of market participants referring to the annual cohort requirement should be taken into consideration. This perceived imbalance between the benefits and costs (i.e. significant implementation costs versus questionable increase of the information usefulness) constitutes an important argument in the assessment whether the introduction of the annual cohort requirement contributes to the European public good. Therefore this issue should be resolved at the EU level in order to address the European concerns in this regard. One possible solution could be to allow the preparers in the EU not to apply the annual cohort requirement to certain insurance contracts. This option would be applied on a voluntary basis which would not prevent other insurers (for example those having dual-listing in third countries) from applying this requirement. In our view this solution might constitute an appropriate compromise between cost-benefit issue and IFRS consistency issue.

Yours sincerely,

Piotr Patkowski  
Undersecretary of State

/electronically signed/

cc. Alain Deckers, Head of Unit, DG FISMA, [alain.deckers@ec.europa.eu](mailto:alain.deckers@ec.europa.eu)