



Mr. H. Hoogervorst
Chairman
International Accounting Standards Board
30 Cannon Street
London EC4M 6XH

11 August 2015

Subject: Interaction between IFRS 9 and IFRS 4 Phase II

Dear Mr. Hoogervorst,

This joint letter has been drafted by the European Insurance CFO Forum, a body representing the views of 21 of Europe's largest insurance companies and Insurance Europe, which is the European (re)insurance federation whose members are the national insurance associations in 34 countries, representing 95% of the premium income of the European insurance market.

We are writing in relation to the IASB Board's recent discussions of the issues caused by the misalignment of the effective dates of IFRS 9 ("Financial Instruments") and the future insurance contracts Standard ("IFRS 4 Phase II")

We appreciate the IASB's efforts to address concerns that the interaction between the two standards is critical for the insurance industry. We also acknowledge that the Board's new approach, as discussed in July, which envisages amendments to the current IFRS 4, seeks to address one of the industry's concerns of accounting mismatch-based volatility in P&L that would arise on the application of IFRS 9 ahead of IFRS 4 Phase II.

However, whilst the IASB is still considering how to address the misalignment issue and that the discussions to date do not represent the final IASB position, we believe that the July decision does not offer an appropriate solution. This is primarily because if IFRS 9 is applied in 2018, it will not be possible to apply, at that time, the financial instrument classification in a way which will be aligned with that which will be appropriate when IFRS 4 Phase II is implemented. This will necessitate a subsequent reassessment and further alterations to the accounting for financial instruments. Insurers would thus be faced with two important retrospective implementations of IFRS 9 in a short period of time which will confuse users of their financial statements without any tangible benefits, but significant additional costs for the short lived 2018 version of how the standard is implemented.

We also note that significant difficulties will apply during the period to the application of IFRS 4 Phase II if IFRS 9 is required to be applied by insurers in 2018. In particular, if the IFRS 4 amendments tentatively decided by the IASB in July are implemented, IAS 39 and IFRS 9 will need to be partly run in parallel which would be disproportionately onerous. Additionally, adoption of IFRS 9 in 2018 will give rise to misleading changes to insurers' shareholders' equity during the period until IFRS Phase II is implemented. This is because under IFRS 9 some financial instruments will be required to be booked at fair value in 2018 rather than cost whilst at the same time it will not be practical or desirable to amend the insurance liability measurement (which is frequently on a locked in basis) under IFRS 4 before the comprehensive phase II solution.

The complications of the two implementations and the difficulties from 2018 till application of IFRS 4 Phase II would detract from meaningful reporting for the sector, and therefore we continue to recommend that the IASB approves the temporary deferral of IFRS 9 for insurers when it meets to discuss the deferral option later this year. We strongly believe that deferral is the most practical solution and provides the most appropriate reporting until IFRS 4 Phase II is effective.

We recognise that deferral of IFRS 9 will trigger debate about additional disclosures. However, we note that disclosure requirements for all IFRS 9 information would give rise to a very significant and disproportionate operational impact on preparers. It would result in disclosures that are of little benefit and which may confuse users of insurers' financial statements.

As always we would be pleased to work with the IASB and assist with the development of appropriate guidance on how the deferral of IFRS 9 could be applied and the appropriate disclosures.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Olav Jones', written over a horizontal line.

Olav Jones
Deputy Director General
Insurance Europe

A handwritten signature in blue ink, appearing to read 'Nic Nicandrou', written over a horizontal line.

Nic Nicandrou
Chair
European Insurance CFO Forum

CC:

Roger Marshall, Acting President of the EFRAG Board
Francoise Flores, Chair of the EFRAG Technical Expert Group
Valerie Ledure, Deputy Head of Unit Accounting and Financial Reporting, European Commission