To: Mr Didier Millerot
Head of Unit
Accounting and Financial Reporting
European Commission
Rue de Spa 2
1000 Brussels

Cc: Ms Valérie Ledure
Deputy Head of Unit
Accounting and Financial Reporting
European Commission

From: Economics & Finance department
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Subject: Evaluation of the IAS regulation

Dear Mr. Millerot,

We would like to take the opportunity to respond to the consultation on the impact of International Financial Reporting Standards (IFRS) in the EU. Insurance Europe through its 34 member bodies — the national insurance associations — represents all types of insurance and reinsurance undertakings, eg pan-European companies, monoliners, mutuals and SMEs. Based in Brussels, Insurance Europe represents undertakings that account for around 95% of total European premium income. Insurance makes a major contribution to Europe's economic growth and development. European insurers generate premium income of more than €1 110bn, employ almost one million people and invest over €8 500bn in the economy. The insurance industry, as one of the largest institutional investors, owns a significant amount of European public equity and European corporate bonds, and is consequently one of the largest groups of users of IFRS for investment and oversight purposes. Please find our views below.

The objective of the IAS Regulation is still valid.

Insurance Europe believes that the objective of the IAS Regulation is still valid and adequate in the current environment. We do not see any reason to pursue new or different goals. Transparency and comparability of financial reporting across countries remain central to the efficient operation of the EU single market. In our opinion, the IAS Regulation ensures that these characteristics are safeguarded.

The European agreement laid down in the IAS Regulation has provided further credibility and decisive stimulus to IFRS as a global standard.

The European Union is an important global economic driver and, therefore, the IAS Regulation has given further credibility to the use of IFRS, and momentum to the increasingly global use of IFRS. The IAS Regulation gave a stimulus to IFRS global acceptance. Furthermore, the goal of having one global accounting standard is still valid as there is no other mechanism currently that aspires to reach a global framework. We consider that the higher quality of financial reporting that IFRS in general provides, in supporting the operation of the financial markets, can be presumed to contribute to financial stability, to economic development in Europe and to the provision of long-term finance when appropriately designed.

Olav Jones • Director, Economics & Finance
Insurance Europe aisbl • rue montoyer 51, B-1000 Brussels
Tel: +32 2 894 30 13 • Fax: +32 2 894 30 01
E-mail: jones@insuranceeurope.eu
www.insuranceeurope.eu

The fact that domestic companies in the US are currently still not permitted to use IFRS does not in any way reduce the relevance of IFRS. Even within the European Union only listed companies with consolidated financial statements are required to use IFRS coupled with member state options that can only require a broader use of IFRS. From a global investor perspective, rather than having to understand each single GAAP for companies raising finance on international capital markets and working across borders, the use of IFRS enables analysts to understand the effects of a single rulebook for accounting.

Extending the requirement to use IFRS beyond listed entities with consolidated financial statements should remain a member state option.
We believe that it is not necessary to require IFRS for non-listed entities. When a company decides to trade its securities on a regulated market we believe that a uniform set of accounting standards are needed to give financial information to a wide variety of investors and users to enable them to make appropriate investment decisions. When a company remains privately held, we believe that the regulators of the jurisdiction(s) in which the group operates and the company's management and creditors are the main users of the company's financial information. We see no reasons, therefore, why a national GAAP should not be available, as well as IFRS. Consequently, we believe the current IAS Regulation is valid by leaving this choice open to national jurisdictions.

The final benefits of a successful IFRS for insurance companies are largely dependent on the outcome on IFRS 4 Phase II.
The introduction of IFRS was generally very beneficial to increase comparability at a global level. However, for insurance companies, IFRS has yet to provide a comprehensive set of requirements. This is because the currently applicable IFRS 4 "insurance contracts" is only a stop-gap measure and does not deliver comparable accounting for all insurance contracts across Europe. The replacement for IFRS 4 is very important because it should provide principles regarding the core business model of insurers and be aligned in its implementation date with IFRS 9 (financial instruments), but it is still being developed and will not be applied for a few years yet. We expect that insurers' cost of capital will fall only if the IASB issues a high quality successful replacement for IFRS 4.

Nonetheless, we believe that insurers have benefitted from a transparency and comparability point of view because of the introduction of the other IFRSs. Furthermore, we are supportive of the IASB in continuing to develop IFRS to improve financial reporting and cutting clutter such as the recent IASB initiative to improve disclosure requirements.

In addition, the insurers' business model underpins their financial performance, and this needs to be recognised in financial reporting, as well as by standard setters when setting accounting requirements to achieve faithful presentation of economic performance and transparent depiction of financial position.

In general, we support the current endorsement process in Europe although time-consuming.
Insurance Europe participated actively in the governance reforms at EFRAG during the review carried out by the Special Advisor, Mr. Maystadt. One of his suggestions for amending the legal basis for the adoption of IFRS standards should further strengthen the need for appropriate accounting principles. Insurance Europe supports adding the two criteria proposed by Mr. Maystadt which both aim to clarify the meaning of the term "public good": not endangering financial stability, and not hindering economic development of the European Union. We also propose the inclusion of two extra criteria: not hindering long-term investment in Europe and not hindering inward investment into Europe.

We consider that the European Union has a role to ensure that the European industry remains competitive through well aligned implementation of new/amended IFRS reporting requirements. For example, alignment of mandatory effective dates of the final standard for insurance contracts (IFRS 4 phase II) and for financial instruments (IFRS 9) is of essential importance for the Insurance Industry.

There has been a risk that the process of EU endorsement may be too time consuming and, therefore, may have delayed application of new or changed IFRSs or reduced the time that companies have to prepare for these. Especially those European companies that are also listed on a US stock exchange are required to implement IFRS as issued by the IASB under SEC rules. Any uncertainties relating to delayed EU endorsement would be less favourable. Proactive activity of EFRAG and support of the European Commission are indispensable to avoid controversy about the outcome of IASB deliberations. For example, the IASB quality control proposal from EFRAG for public fatal flaw reviews would reduce endorsement tensions.

IFRS enforcement at the Member State level is appropriate.
Insurance Europe actively supports the ESMA's coordination efforts for national enforcers to exchange views on IFRS enforcement. We believe that the mandate to enforce at the member state level is appropriate and should not be modified or extended. Because member states have the option to require IFRS beyond listed entities with consolidated financial statements we believe it is appropriate that the enforcement responsibilities should remain at the national level.

Please do not hesitate to contact us if you have any questions and/or remarks.

Sincerely,

Olav Jones
Director Economics & Finance/Deputy Director General