

**INVITATION TO COMMENT ON EFRAG'S INITIAL ASSESSMENTS OF
IFRS 10, IFRS 11, IFRS 12, IAS 27 (2011) and IAS 28 (2011)**

**Comments should be sent to commentletters@efrag.org or
uploaded via our website by 11 March 2012**

EFRAG has been asked by the European Commission to provide it with advice and supporting material on the five new and amended standards that address the accounting for consolidation and joint arrangements ('the Standards'), namely IFRS 10 *Consolidated Financial Statements* (IFRS 10), IFRS 11 *Joint Arrangements* (IFRS 11), IFRS 12 *Disclosure of Interests in Other Entities* (IFRS 12), IAS 27 *Separate Financial Statements* (IAS 27 (2011)) and IAS 28 *Investments in Associates and Joint Ventures* (IAS 28 (2011)).

In order to do that, EFRAG has been carrying out an assessment of each of the Standards against the technical criteria for endorsement set out in Regulation (EC) No 1606/2002 and has also been assessing the costs and benefits that would arise from its implementation in the European Union ('EU') and European Economic Area.

Before finalising its two assessments, EFRAG would welcome your views on the issues set out below. Please note that all responses received will be placed on the public record, unless the respondent requests confidentiality. In the interest of transparency EFRAG will wish to discuss the responses it receives in a public meeting, so we would prefer to be able to publish all the responses received.

Personal information

Please provide the following details about yourself:

- (a) Your name or, if you are responding on behalf of an organisation or company, its name:

Insurance Sweden

Our answers only covers IFRS 10. (please find our answer on page 4)

- (b) Are you a:

X Preparer X User Other (please specify)

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- (c) Please provide a short description of your activity:

Insurance Sweden is the industry organization for insurance companies. About 40 insurance companies are members of Insurance Sweden and together they account for more than 90 per cent of the Swedish insurance market.

- (d) Country where you are located:

Sweden.

- (e) Contact details including e-mail address:

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Invitation to Comment on EFRAG's Initial Assessments of IFRS 10

1 EFRAG's initial assessment of IFRS 10 is that it meets the technical criteria for endorsement. In other words, it is not contrary to the principle of true and fair view and it meets the criteria of understandability, relevance, reliability and comparability. EFRAG's reasoning is set out in Appendix 2 of *IFRS 10 - EFRAG's Initial Assessments*.

(a) Do you agree with this assessment?

Yes x No

If you do not, please explain why you do not agree and what you believe the implications of this should be for EFRAG's endorsement advice.

Insurance Sweden:

Ahead of the January 2012 IASB meeting the CEA/CFO Forum issued a letter, through the CEA to the IASB supporting your request for deferral of the effective date. Insurance Sweden agrees on this.

We share your view that the effective date should be deferred at least one year. However, we question whether a delayed endorsement of the Standards in the EU is the best solution as this will lead to different application dates between IFRS in the EU and IFRS as issued by the IASB. As such, we believe that the best solution for all would be to continue to jointly work with the IASB to have them defer the IASB 1 January 2013 effective date.

Although there are many improvements in IFRS 10 compared to the current IAS 27, we believe the definition of agency relationships in IFRS 10 will lead to less relevant financial statements.

The effect of implementing IFRS 10 for the insurance industry is that mutual funds will be consolidated by a unit-linked insurance entity under certain circumstances. The assets in these mutual funds are completely linked to the fund units issued by the mutual fund and will not affect the performance or risk exposure of the unit-linked company. That is because, the changes in value of the assets are matched with a corresponding change in the liability to policyholders. We believe the inclusion of such assets in the consolidated accounts will give the users of the financial information the wrong picture of the risks in the business conducted.

Considering the requirements in IFRS 7 it should also be noted the extensive amount of disclosures required for the assets in the mutual funds which would further obscure the actual risks in the company and require additional work for the companies without adding value.

The evaluation of whether the unit-linked company has to consolidate a mutual fund or not, must be carried out every reporting date and if it is considered to control the mutual fund the elimination of income and expenses should theoretically be performed on a daily basis to reflect the changing ownership.

- (b) Are there any issues that are not mentioned in Appendix 2 of *IFRS 10 - EFRAG's Initial Assessments* that you believe EFRAG should take into account in its technical evaluation of IFRS 10? If there are, what are those issues and why do you believe they are relevant to the evaluation?

No.

- 2 EFRAG is also assessing the costs that are likely to arise for preparers and for users on implementation of IFRS 10 in the EU, both in year one and in subsequent years. Some initial work has been carried out, and the responses to this Invitation to Comment will be used to complete the assessment.

- 3 The results of the initial assessment of costs are set out in paragraphs 4 to 42 of Appendix 3 of *IFRS 10 - EFRAG's Initial Assessments*. To summarise, EFRAG's initial assessment is that all preparers will incur additional costs to implement the requirements in IFRS 10, and for some preparers (particularly companies in the banking industry and insurance industry), the initial costs of implementation and conducting the required analysis will be significant, with ongoing costs being less significant and decreasing over time. Furthermore, EFRAG's Initial Assessment is that IFRS 10 is unlikely to result in significant costs for users.

Do you agree with this assessment?

Yes No

If you do not, please explain why you do not and (if possible) explain broadly what you believe the costs involved will be?

- 4 In addition, EFRAG is assessing the benefits that are likely to be derived from IFRS 10. The results of the initial assessment of benefits are set out in paragraphs 43 to 54 of Appendix 3 of *IFRS 10 - EFRAG's Initial Assessments*. To summarise, EFRAG's initial assessment is that preparers and users are likely to benefit from IFRS 10. In particular in areas where current IFRSs was silent or contained limited guidance, the new requirements should enhance consistency of application and increase comparability for users, in a significant way.

Do you agree with this assessment?

Yes X No

If you do not agree with this assessment, please provide your arguments and indicate how this should affect EFRAG's endorsement advice?

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- 5 EFRAG's initial assessment is that the benefits to be derived from implementing IFRS 10 in the EU as described in paragraph 4 above are likely to outweigh the costs involved as described in paragraph 3 above.

Do you agree with this assessment?

Yes X No

If you do not agree with this assessment, please provide your arguments and indicate how this should affect EFRAG's endorsement advice?

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- 6 EFRAG is not aware of any other factors that should be taken into account in reaching a decision as to what endorsement advice it should give the European Commission on IFRS 10.

Do you agree that there are no other factors?

Yes No

If you do not agree, please provide your arguments and indicate how this should affect EFRAG's endorsement advice?

Invitation to Comment on EFRAG's Initial Assessments of IFRS 11

7 EFRAG's initial assessment of IFRS 11 is that it meets the technical criteria for endorsement. In other words, it is not contrary to the principle of true and fair view and it meets the criteria of understandability, relevance, reliability and comparability. EFRAG's reasoning is set out in Appendix 2 of *IFRS 11 - EFRAG's Initial Assessments*.

(a) Do you agree with this assessment?

Yes No

If you do not, please explain why you do not agree and what you believe the implications of this should be for EFRAG's endorsement advice.

(b) Are there any issues that are not mentioned in Appendix 2 of *IFRS 11 - EFRAG's Initial Assessments* that you believe EFRAG should take into account in its technical evaluation of IFRS 11? If there are, what are those issues and why do you believe they are relevant to the evaluation?

8 EFRAG is also assessing the costs that are likely to arise for preparers and for users on implementation of IFRS 11 in the EU, both in year one and in subsequent years. Some initial work has been carried out, and the responses to this Invitation to Comment will be used to complete the assessment.

The results of the initial assessment of costs are set out in paragraphs 7 to 40, 46 to 51 and 56 to 71 of Appendix 3 of *IFRS 11 - EFRAG's Initial Assessments*. To summarise, EFRAG's initial assessment is that:

- (a) IFRS 11 is likely to result in incremental one-off costs for preparers, which for some preparers could be significant. Preparers that expect to be most affected are (1) those that have interests in joint operations structured through a separate vehicle, which were previously accounted for under the equity method, and (2) those that present only separate financial statements and have interests in joint operations structured through separate vehicle;
- (b) The incremental ongoing costs will not be significant for most of preparers. However, the ongoing costs could be significant for some preparers; in particular those that have interests in numerous joint operations structured through separate vehicle and that present only separate financial statements; and
- (c) IFRS 11 is unlikely to result in significant costs for users.

Invitation to Comment on EFRAG's Initial Assessments of IFRS 11

Do you agree with this assessment?

Yes No

If you do not, please explain why you do not and (if possible) explain broadly what you believe the costs involved will be?

- 9 In addition, EFRAG is assessing the benefits that are likely to be derived from IFRS 11. The results of the initial assessment of benefits are set out in paragraphs 41 to 44, 52 to 54, and 72 to 75 of Appendix 3 of *IFRS 11 - EFRAG's Initial Assessments*. To summarise, EFRAG's initial assessment is that IFRS 11 will provide significant benefits for users and some benefits for preparers.

Do you agree with this assessment?

Yes No

If you do not agree with this assessment, please provide your arguments and indicate how this should affect EFRAG's endorsement advice?

- 10 EFRAG's initial assessment is that the benefits to be derived from implementing IFRS 11 in the EU as described in paragraph 9 of above are likely to outweigh the costs involved as described in paragraph 8 above.

Do you agree with this assessment?

Yes No

If you do not agree with this assessment, please provide your arguments and indicate how this should affect EFRAG's endorsement advice?

- 11 EFRAG is not aware of any other factors that should be taken into account in reaching a decision as to what endorsement advice it should give the European Commission on IFRS 11.

Invitation to Comment on EFRAG's Initial Assessments of IFRS 11

Do you agree that there are no other factors?

Yes

No

If you do not agree, please provide your arguments and indicate how this should affect EFRAG's endorsement advice?

Invitation to Comment on EFRAG's Initial Assessments of IFRS 12

12 EFRAG's initial assessment of IFRS 12 is that it meets the technical criteria for endorsement. In other words, it is not contrary to the principle of true and fair view and it meets the criteria of understandability, relevance, reliability and comparability. EFRAG's reasoning is set out in Appendix 2 of *IFRS 12 - EFRAG's Initial Assessments*.

(a) Do you agree with this assessment?

Yes No

If you do not, please explain why you do not agree and what you believe the implications of this should be for EFRAG's endorsement advice.

(b) Are there any issues that are not mentioned in Appendix 2 of *IFRS 12 - EFRAG's Initial Assessments* that you believe EFRAG should take into account in its technical evaluation of IFRS 12? If there are, what are those issues and why do you believe they are relevant to the evaluation?

13 EFRAG is also assessing the costs that are likely to arise for preparers and for users on implementation of IFRS 12 in the EU, both in year one and in subsequent years. Some initial work has been carried out, and the responses to this Invitation to Comment will be used to complete the assessment.

The results of the initial assessment of costs are set out in paragraphs 5 to 40 of Appendix 3 of *IFRS 12 - EFRAG's Initial Assessments*. To summarise, EFRAG's initial assessment is that:

- (a) some preparers are likely to incur significant one-off costs from implementing IFRS 12, in particular when they have numerous interests in other entities and when getting access to data is difficult;
- (b) the ongoing costs of providing the disclosures are likely to be insignificant in most cases, once preparers are acquainted with the new requirements and have adapted their systems and processes to meet the requirements and collected data for the first time; and
- (c) IFRS 12 is likely to result in significant one-off costs for users (particularly in those cases where detailed changes to their models are needed) and in cost savings on an ongoing basis.

Invitation to Comment on EFRAG's Initial Assessments of IFRS 12

Do you agree with this assessment?

Yes No

If you do not, please explain why you do not and (if possible) explain broadly what you believe the costs involved will be?

- 14 In addition, EFRAG is assessing the benefits that are likely to be derived from IFRS 12. The results of the initial assessment of benefits are set out in paragraphs 41 to 45 of Appendix 3 of *IFRS 12 - EFRAG's Initial Assessments*. To summarise, EFRAG's initial assessment is that preparers are likely to benefit from IFRS 12 as the new disclosures are expected to improve the communication with users. Furthermore, EFRAG's initial assessment is that IFRS 12 will bring significant long-term benefits to users.

Do you agree with this assessment?

Yes No

If you do not agree with this assessment, please provide your arguments and indicate how this should affect EFRAG's endorsement advice?

- 15 EFRAG's initial assessment is that the benefits to be derived from implementing IFRS 12 in the EU as described in paragraph 14 above are likely to outweigh the costs involved as described in paragraph 13 above.

Do you agree with this assessment?

Yes No

If you do not agree with this assessment, please provide your arguments and indicate how this should affect EFRAG's endorsement advice?

Invitation to Comment on EFRAG's Initial Assessments of IFRS 12

- 16 EFRAG is not aware of any other factors that should be taken into account in reaching a decision as to what endorsement advice it should give the European Commission on IFRS 12.

Do you agree that there are no other factors?

X Yes

No

If you do not agree, please provide your arguments and indicate how this should affect EFRAG's endorsement advice?

Invitation to Comment on EFRAG's Initial Assessments of IAS 28 (2011)

- 17 EFRAG's initial assessment of IAS 28 (2011) is that it meets the technical criteria for endorsement. In other words, they are not contrary to the principle of true and fair view and it meets the criteria of understandability, relevance, reliability and comparability. EFRAG's reasoning is set out in Appendix 2 of *IAS 28 (2011) - EFRAG's Initial Assessments*.

(a) Do you agree with this assessment?

Yes No

If you do not, please explain why you do not agree and what you believe the implications of this should be for EFRAG's endorsement advice.

- (b) Are there any issues that are not mentioned in Appendix 2 of *IAS 28 (2011) - EFRAG's Initial Assessments* that you believe EFRAG should take into account in its technical evaluation of IAS 28 (2011)? If there are, what are those issues and why do you believe they are relevant to the evaluation?

- 18 EFRAG is also assessing the costs that are likely to arise for preparers and for users on implementation of IAS 28 (2011) in the EU, both in year one and in subsequent years. Some initial work has been carried out, and the responses to this Invitation to Comment will be used to complete the assessment. The amendment relating to disclosure is discussed in EFRAG's initial assessment of IFRS 12.

The results of the initial assessment of costs are set out in paragraphs 7 and 8 of Appendix 3 of *IAS 28 (2011) - EFRAG's Initial Assessments*. To summarise, EFRAG's initial assessment is that, for preparers, IAS 28 (2011) would involve a decrease in costs. For users, costs are unlikely to be significantly affected by IAS 28 (2011).

Do you agree with this assessment?

Yes No

If you do not, please explain why you do not and (if possible) explain broadly what you believe the costs involved will be?

- 19 In addition, EFRAG is assessing the benefits that are likely to be derived from IAS 28 (2011). The results of the initial assessment of benefits are set out in paragraphs 9 to 11 of Appendix 3 of *IAS 28 (2011) - EFRAG's Initial Assessments*. To summarise, EFRAG's initial assessment is that IAS 28 (2011) does not affect benefits for preparers in any significant way, and the users are likely to benefit from IAS 28 (2011), as the information resulting from them will assist users in their analysis.

Do you agree with this assessment?

Yes No

If you do not agree with this assessment, please provide your arguments and indicate how this should affect EFRAG's endorsement advice?

- 20 EFRAG has tentatively concluded that the benefits to be derived from implementing IAS 28 (2011) in the EU as described in paragraph 19 above are likely to outweigh the costs involved as described in paragraph 18 above.

Do you agree with this assessment?

Yes No

If you do not agree with this assessment, please provide your arguments and indicate how this should affect EFRAG's endorsement advice?

- 21 EFRAG is not aware of any other factors that should be taken into account in reaching a decision as to what endorsement advice it should give the European Commission on IAS 28 (2011).

Do you agree that there are no other factors?

Yes No

If you do not agree, please provide your arguments and indicate how this should affect EFRAG's endorsement advice?

Invitation to Comment on EFRAG's Initial Assessments of IAS 27 (2011)

22 EFRAG's initial assessment of IAS 27 (2011) is that they meet the technical criteria for endorsement. In other words, IAS 27 (2011) is not contrary to the principle of true and fair view and it meets the criteria of understandability, relevance, reliability and comparability. EFRAG's reasoning is set out in Appendix 2 of *IAS 27 (2011) - EFRAG's Initial Assessments*.

(a) Do you agree with this assessment?

Yes No

If you do not, please explain why you do not agree and what you believe the implications of this should be for EFRAG's endorsement advice.

(b) Are there any issues that are not mentioned in Appendix 2 of *IAS 27 (2011) - EFRAG's Initial Assessments* that you believe EFRAG should take into account in its technical evaluation of IAS 27 (2011)? If there are, what are those issues and why do you believe they are relevant to the evaluation?

23 EFRAG is also assessing the costs that are likely to arise for preparers and for users on implementation of IAS 27 (2011) in the EU, both in year one and in subsequent years. Some initial work has been carried out, and the responses to this Invitation to Comment will be used to complete the assessment.

The results of the initial assessment of costs are set out in paragraphs 4 to 6 of Appendix 3 of *IAS 27 (2011) - EFRAG's Initial Assessments*. To summarise, EFRAG's initial assessment is that IAS 27 (2011) will not result in any significant costs for users and preparers.

Do you agree with this assessment?

Yes No

If you do not, please explain why you do not and (if possible) explain broadly what you believe the costs involved will be?

Invitation to Comment on EFRAG's Initial Assessments of IAS 27 (2011)

- 24 In addition, EFRAG is assessing the benefits that are likely to be derived from IAS 27 (2011). The results of the initial assessment of benefits are set out in paragraphs 4 to 6 of Appendix 3 of *IAS 27 (2011) - EFRAG's Initial Assessments*. To summarise, EFRAG's initial assessment is that IAS 27 (2011) will not result in any significant benefits for preparers and users.

Do you agree with this assessment?

Yes No

If you do not agree with this assessment, please provide your arguments and indicate how this should affect EFRAG's endorsement advice?

- 25 EFRAG's initial assessment is that the benefits to be derived from implementing IAS 27 (2011) in the EU as described in paragraph 24 above are likely to balance the costs involved as described in paragraph 23 above.

Do you agree with this assessment?

Yes No

If you do not agree with this assessment, please provide your arguments and indicate how this should affect EFRAG's endorsement advice?

- 26 EFRAG is not aware of any other factors that should be taken into account in reaching a decision as to what endorsement advice it should give the European Commission on IAS 27 (2011).

Do you agree that there are no other factors?

Yes No

If you do not agree, please provide your arguments and indicate how this should affect EFRAG's endorsement advice?

Invitation to Comment on EFRAG's Initial Assessment of the date of transition

27 EFRAG has prepared a draft of the endorsement advice letter it will issue to the European Commission that recommends that the effective date of the Standards should be 1 January 2014, with early application permitted. Given the interaction between the Standards, EFRAG recommends that they be adopted by companies at the same time, and therefore recommends the deferral of the effective date to apply to all Standards.

In reaching its conclusions, EFRAG considered a number of factors, which are described in EFRAG's *Draft cover letter to the European Commission* issued together with this invitation to comment.

Do you agree with EFRAG's recommendation that the Standards should be effective in the EU as of 1 January 2014, with early application permitted?

Yes

No

If you do not agree with this recommendation, please explain your position?
