



Comprehensive Review of the IFRS for SMEs

The ABI's response to the IASB's Request for Information

Introduction

1. The ABI is the voice of insurance in the UK. It has over 300 members, accounting for some 90% of premiums to the UK insurance industry, which manages investments amounting to 26% of the UK's net worth. It represents its members both as preparers and users of financial statements.
2. The ABI is grateful to the International Accounting Standards Board (IASB) for the opportunity to respond to its Request for Information, *Comprehensive Review of the IFRS for SMEs*.

ABI comments

3. We welcome the IASB's review and its approach in asking first about constituents' priorities.
4. We respond only to the IASB's three questions about eligibility to use the IFRS for SMEs. We consider that the IASB should:
 - Continue to prohibit listed entities from using the IFRS for SMEs;
 - Allow other financial institutions to use the IFRS for SMEs; and
 - Clarify that the IFRS for SMEs is not intended for use by not-for-profit entities.
5. Further details are given in the appendix to this letter.

Association of British Insurers
November 2012

The ABI's response to the IASB's Request for Information: *Comprehensive Review of the IFRS for SMEs*

S1 Use by publicly traded entities

Are the scope requirements of the IFRS for SMEs currently too restrictive for publicly traded entities?

1. No. We consider that the IASB should continue to prohibit an entity whose debt or equity instruments trade in public market from using the IFRS for SMEs. We do not agree that the scope of the IFRS for SMEs should be revised to permit jurisdictions to make this eligibility decision.
2. We think that having publicly traded debt or equity instruments is the most important way of distinguishing entities that have to apply full IFRS from those that do not, and that consistency of financial reporting by all publicly traded entities matters greatly to shareholders and other investors as users of those accounts.
3. We also do not agree that the IASB should refer at all to jurisdictions' ability to make scoping decisions – nor, indeed, to jurisdictions' ability to decide on the application of any other aspects of the IFRS for SMEs and or of IFRSs more generally.

S2 Use by financial institutions

Are the scope requirements of the IFRS for SMEs currently too restrictive for financial institutions and similar entities?

4. Yes. The scope restrictions of the IFRS for SMEs are too restrictive for financial institutions and similar entities.
5. We do not share the IASB's view that all users of accounts of publicly accountable entities have the same requirements. The interests of the user of accounts of a publicly traded entity are not necessarily the same as those of an entity which holds assets for a broad group of outsiders.
6. For example, we do not think that purchasers of insurance policies, who may supply most of the capital of insurance companies that are not publicly traded, can be assumed to make their purchases on the basis of any evaluation of the insurer's accounts. Accordingly, those accounts do not need to give the same information as do full IFRS-based accounts on which investors in publicly traded companies rely.
7. Mutual insurers exemplify this point, and even more so do those with closed books. They act solely in the interests of their policyholders, which vary with the terms of their policies. By far the most important factor in policyholders' decisions to buy policies or not to do so, and to remain with these policies or transfer out of them, is specific policy performance rather than general entity performance. We consider that similar considerations apply also to institutions such as friendly societies and credit unions.
8. We disagree also with the IASB's assumption that all insurers hold assets for a broad group of outsiders and therefore are publically accountable. General insurers, at least, receive premiums and pay out claims on the occurrence of

insured events. They do not hold assets for policyholders in the same way that life insurers effectively hold deposits.

9. In our view, therefore, it should be possible for non-publically traded insurers to be able to use the IFRS for SMEs.

S3 Clarification for use by not-for-profit entities

Should the IFRS for SMEs be revised to clarify whether an NFP entity is eligible to use it?

10. Yes. We consider that the IFRS for SMEs should be revised to clarify whether NFP entities are eligible to use it.
11. We think that the IASB should continue to develop IFRSs, including the IFRS for SMEs, only for profit-orientated entities. We therefore do not consider that soliciting and accepting contributions needs to be considered as a criterion for eligibility for not-for-profit entities.
12. We note that the prefaces to IFRSs and the IFRS for SMEs both state that “IFRSs are designed to apply to the general purpose financial statements and other financial reporting of profit-orientated”. This might be considered sufficient. But if the IASB is receiving questions on this matter, we suggest that the IFRS for SMEs can quite simply be amended to add the phrase “that are profit-oriented” to the end of the current first sentence in section 1, with the result as follows:

Intended scope of this IFRS

1.1 This IFRS for SMEs is intended for use by small and medium-sized entities (SMEs) that are profit-oriented.