

To: Mr. Hans Hoogervorst
Chairman
International Accounting Standards Board
30 Cannon Street – London EC4M 6XH

From: Economics & Finance department

Date: 11 December 2015

Reference: ECO-FRG-15-310

Subject: Insurance Europe's comments on the IASB "Request for Views: 2015 Agenda Consultation"

Dear Mr. Hoogervorst,

We are taking the opportunity to comment on the IASB *Request for Views: 2015 Agenda Consultation*. This letter has been drafted by Insurance Europe, the European insurance and reinsurance federation. Through its 34 member bodies – the national insurance associations – Insurance Europe represents all types of insurance and reinsurance undertakings, eg pan-European companies, monoliners, mutuals and SMEs. Insurance Europe represents undertakings that account for around 95% of total European premium income. European insurers generate premium income of almost €1 170bn, employ over one million people and invest nearly €9 900bn in the economy.

Question 1

Resources are best allocated relative to the potential benefits, urgency, and likelihood of a conclusion.

We believe that the major projects, such as the insurance contracts project (i.e. IFRS 4 Phase II; and its interaction with IFRS 9 Financial Instruments), should be given the highest priority and hence should have the most resources. The aim should be to finalise them successfully without undue delay. Beyond these major projects, the Conceptual Framework is essential to complete because it provides the foundation on which the IFRS standard setting is based. Once these projects are completed we believe that any resources should be allocated relative to the potential benefits for the greatest amount of stakeholders, taking into account the likelihood of a conclusion.

In addition, we firmly believe that also the relevance and urgency of issues to preparers should be considered by the IASB as a relevant factor when deciding on project priorities. Therefore, we recommend to amend paragraph 55 (a) in that respect as it only refers to relevance of issues to users.

Question 2

We do not support that inactive research projects should be removed from the research plan.

Taking into account the constraint on resources and the complexity of developing an IFRS, it is better to successfully complete a short list of projects in a reasonable time frame compared to an overload of subjects. We however do not support the IASB proposal to remove the project suggestions that are inactive. The list should rather be amended to make it visible why the IASB concluded to not engage further on particular projects. If further insight justifies more active engagement of the IASB in the future, it could be explained in a more transparent manner instead of having to only explain why inclusion on the list of active projects is appropriate.

Question 3

Research projects with little perceived benefit should not remain classified as active.

Insurance Europe believes that projects where previous extensive work on them has already shown that they are unlikely to yield sufficient benefits, or that the potential benefits are low, are best removed from the IASB research focus. We believe it is better to have a short list of topics that can be completed sooner with more resource and focus, rather than a long list that takes more time to finalize. Also from a preparer perspective it will be easier to comment on more targeted proposals compared to a larger variety of issues.

Regarding the project "Dynamic Risk Management" we have the view that its urgency is very much dependent on the effective outcome of the insurance contracts project (IFRS 4 Phase II) and its material interaction with IFRS 9. Irrespective of that constraint, we are viewing this project to be of significant importance for those who are concerned. We also support the further work of the IASB on the project "Financial Instruments with Characteristic of Equity" which might have important implications for the revised Conceptual Framework, once completed.

Finally, we disagree, that the projects on "Goodwill and Impairment" and "Definition of the Business" are categorised as projects in "Assessment stage" of the research programme. We believe that these are sufficiently explored and well evidenced via the recent Post-implementation Review on IFRS 3 Business Combinations and should be addressed by the IASB without further delay. Please also refer to our response to Question 5.

Question 4

The successful completion of IFRS 4 Phase II and the accounting measures to deal with the interaction between IFRS 4 Phase II and IFRS 9 should be given the greatest priority.

We give greater emphasis to the need for a high quality standard to replace the current IFRS 4 (e.g. to overcome the existing diversity of accounting practices). We appreciate that the IASB treats this topic with priority in its decision making due to the importance of a much needed solution to users of IFRS financial statements.

Once this project is successfully finalised, we suggest that the Board should give priority to the Conceptual Framework project (including the work on principles for presentation and disclosure) and to the projects that are particularly closely related, such as the Disclosure Initiative. This may be the best way to tackle a number of cross-cutting issues that have bedeviled a number of projects in recent years. We suggest that advances made in the IFRS 4 Phase II project may help with these conceptual developments.

Nevertheless, we also urge that the valid objectives of the Disclosure Initiative are utilized when finalizing the disclosure package, e.g. for the upcoming IFRS for insurance contracts. Ineffective and overly burdensome disclosures should not be introduced; for example the confidence level reconciliation requirement which we opposed in the joint comment letter of European Insurance CFO Forum and Insurance Europe on the revised Exposure Draft "Insurance Contracts" of 25 October 2013.

Question 5

Issues emerging from post-implementation reviews should be classified as part of the Standard-level programme.

We believe that issues which are well evidenced through a post-implementation review (PIR) do not require to be further developed as a research project. For example, the recent outcome of the PIR on IFRS 3 Business Combinations revealed that impairment-only approach for goodwill requires further reflection from the IASB. As such, we believe adding this topic as part of the category "Standards-level projects" would lead to a timelier and more appropriate manner of dealing with the concerns raised by constituents that are already applying an existing IFRS.

Question 6

We fully support the IASB's due process requirements which are essential for the development of high quality IFRSs.

Insurance Europe is of the opinion that the IASB is working at the right pace and at an appropriate level of detail to principle-based standard-setting. Because of the importance of proper reflection of economics in the financial statements of reporting entities and of their relevance for users we believe the IASB should always strive to find the right balance between finalising important projects as soon as possible, such as for insurance contracts, without comprising on the need to provide high quality principles.

However, we also note that highly complex topics can easily lead to unnecessary levels of details or rules which are counterproductive to the principle-based nature of IFRS. We believe the IASB should keep a pragmatic approach to setting IFRSs because it is impossible to provide accounting guidance for all types of business

situations and should rather strive to contribute to consistent understanding and application of general principle. The IASB is well on its way to achieve global accounting harmonisation but it should take into account the time needed for businesses to adapt for application. Where particular standards are interrelated (e.g. the future IFRS for insurance contracts and IFRS 9 Financial Instruments), the mandatory application for these standards should not be required to occur in isolation. This would avoid distortions in financial reporting and unnecessary double implementation efforts.

Question 7

Post-implementation reviews should not be seen as a phase for stabilisation but rather as a period for further identification of issues that could not be anticipated based on an impact assessment ahead of issuing the standard.

Insurance Europe argues that the need for a PiR is dependent on the process one goes through before a standard is issued. We would not agree that a PiR would be seen as a phase of stabilisation or that it would be seen as substitute for knowing the impact before a new standard is issued. It is indispensable to ensure to have a robust, tested and high-quality basis before a final standard is issued that requires mandatory real-life application.

Question 8

Insurance Europe disagrees that an increase in the timing interval between Agenda Consultations could be more appropriate.

We believe that regular and public involvement with stakeholders is of essential importance for the IASB's transparent functioning. Therefore, we support the IASB's continued view to hold public Agenda Consultations on a regular basis. However, we do not support the proposed change that this should take place every five years, instead of every three years. We continue to support the current review period. In doing so, a process of transparency, independence and a system of timely reflection with stakeholders remains safeguarded. Operating in a global economy, we believe that every three years is the appropriate period of reflection and there is no need to delay such a process, even if the outcome would not require any major changes.

Please do not hesitate to contact us if you would like to discuss any aspect of our comments in more detail.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Olav Jones', with a horizontal line underneath it.

Olav Jones
Deputy Director General / Director Economics & Finance