



EUROPEAN COMMISSION

Directorate General Financial Stability, Financial Services and Capital Market Union

INVESTMENT AND COMPANY REPORTING

Accounting and financial reporting

Head of Unit

Brussels, **13 OCT. 2016**
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Jean-Paul Gauzès
President
EFRAG
Square de Meeûs 35
B-1000 Brussels

Subject: Endorsement advice on the amendments to IFRS 4, *Insurance Contracts*

Dear Mr Gauzès,

Cher Jean-Paul !

Following the publication by the International Accounting Standard Board (IASB) of the amendments to IFRS 4, *Insurance Contracts*, on 12 September 2016, the European Commission would like to request the European Financial Reporting Advisory Group (EFRAG) to deliver its opinion on the proposed amendments, supported by an impact analysis, including a cost-benefit analysis.

The opinion of the EFRAG should be based upon the following conditions, against which endorsement is assessed in the Regulation (EC) No 1606/2002 of the European Parliament and of the Council on the application of International Accounting Standards, i.e. that the standard:

- is not contrary to the principle set out in Article 4(3) of Directive 2013/34/EU and is conducive to the European public good, and
- meets the criteria of understandability, relevance, reliability and comparability required of financial information needed for making economic decisions and assessing the stewardship of management.

This advice should be supported by an effects analysis, which may include evidence already obtained by EFRAG during the course of the development of the amendments to the standard or other available evidence as appropriate.

The amendments to IFRS 4 arise from the interaction between requirements for accounting for liabilities arising on insurance contracts with the requirements for accounting for financial instruments under IFRS 9. Your endorsement advice on IFRS 9 commented on this interaction and your advice on these amendments should take into consideration your previous comments. In particular, we should be grateful if you would consider whether, from an economic perspective, the scope of the IASB's amendments could give rise to any competition issues within the EU for financial services companies reporting under IFRS and

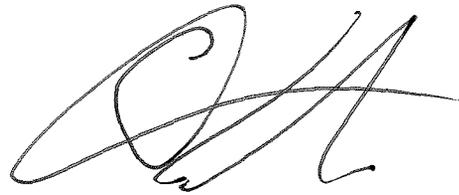
explain the extent to which the amendments to IFRS 4 would contribute to a level playing field among European businesses carrying out significant insurance activities.

In the light of the fact that these amendments are intended to provide relief to insurance entities in respect of the application of IFRS 9 from 1 January 2018, I would be grateful if EFRAG would provide its opinion, supported by relevant arguments as appropriate, before the end of 2016.

We thank you in advance for your cooperation.

Should you have any questions, please contact me or Valerie Ledure.

Yours sincerely,

A handwritten signature in black ink, consisting of a large, stylized 'E' followed by a series of loops and a long horizontal stroke extending to the right.

Erik NOOTEBOOM

Cc.: A. Watchman, (EFRAG TEG Chairman)