

Mr
Jean-Paul Gauzès
President of the EFRAG Board
European Financial Reporting Advisory Group
35 Square de Meeûs
B-1000 Brussels
Belgien

Date
19.01.2022

**Amendment to IFRS 17: Initial Application of IFRS 17 and IFRS 9
– Comparative Information (December 2021)**

EFRAG's Draft Endorsement Advice to the European Commission

Dear Mr Gauzès

On behalf of the German Insurance Association (GDV) we welcome the opportunity to provide our comments on EFRAG's Draft Letter to the European Commission Regarding Endorsement of Initial Application of IFRS 17 and IFRS 9 – Comparative Information (Amendment to IFRS 17), published by EFRAG on 28 December 2021 for the public consultation.

As a matter of fact, we greatly appreciate the narrow-scope amendment released by the IASB on 9 December 2021. And we fully support its swift endorsement in the EU to provide the full clarity and the legal certainty to the insurance undertakings adopting IFRS 17. Our rationale is as follows:

- The optional 'classification overlay approach' amending the transitional provisions of IFRS 17 is providing the critically important one-time relief for insurers applying IFRS 17 for the first time and being keen to provide meaningful comparative information also for financial instruments.
- The IASB's amendment addresses properly the critical operational concerns raised by insurers and related to the initial application of IFRS 17 and IFRS 9. They are resulting from the unaligned requirements in both the interrelated standards regarding presentation of comparative information and transition. The IASB's amendment addresses properly also the issue of significant accounting mismatches which would arise otherwise in the comparative period between insurance contracts liabilities and financial assets; irrespective of the choice of reporting entities to restate comparative information applying IFRS 9 or not.
- The IASB's amendment is also a holistic one as it allows to reasonably align the scope of the classification overlay approach with the scope of the existing temporary exemption from IFRS 9 ('IFRS 9 deferral'). And it can be applied also by those insurers that already apply IFRS 9.

**Gesamtverband der Deutschen
Versicherungswirtschaft e. V.**

German Insurance Association

Wilhelmstraße 43 / 43 G, D-10117 Berlin
Phone: +49 30 2020-5000
Fax: +49 30 2020-6000

Rue du Champ de Mars 23
B - 1050 Brussels
Phone: +32 2 28247-30
Fax: +49 30 2020-6140
ID-Nummer 6437280268-55

E-Mail: rechnungsglegung@gdv.de



- Finally, the additional disclosure requirements introduced by the IASB for the reporting entities applying the classification overlay approach are kept at a reasonable level. Specifically, we support that no quantitative information are prescribed. Hence, the disclosures do not undermine the significant benefits of the one-time relief provided.

Overall, we would like to highlight that the IASB has been responsive in a timely manner to the concerns raised by the insurance industry. The global standard setter has provided a comprehensive fix which leads to a better interaction between the existing transitional requirements in IFRS 17 and IFRS 9 and which properly addresses the operational challenges the insurers would be facing when initially applying IFRS 17 without the IASB's amendment. The amendment will effectively contribute to a more consistent and more comparable accounting in the comparative period, allowing investors and other users to benefit more fully from the improved financial statements of insurers as they will be providing undistorted important trend information when applying IFRS 17 and IFRS 9 for the first time.

Consequently, we are supportive of EFRAG's tentative assessment in its Draft Endorsement Advice and fully back the tentative EFRAG's recommendation to the European Commission to endorse the IASB's amendment to IFRS 17 in the EU.

Finally, we also greatly appreciate all the considerable efforts of EFRAG's staff and EFRAG's management to approach the work on this important endorsement advice in a proactive and timely manner. It is indeed important to provide as soon as possible the full clarity and the legal certainty to the insurers adopting IFRS 17 and IFRS 9 in due time.

Our complete response to the EFRAG's Draft Endorsement Advice is provided in the EFRAG's template attached to this letter. If you would like to discuss our comments further, please do not hesitate to contact us.

Yours sincerely,

German Insurance Association (GDV)



INVITATION TO COMMENT ON EFRAG'S ASSESSMENTS ON IFRS 17 AND IFRS 9 – COMPARATIVE INFORMATION (AMENDMENT TO IFRS 17)

Once filled in, this form should be submitted by 19 January 2022 using the 'Comment publication link' available at the bottom of the respective news item. All open consultations can be found on EFRAG's web site: [Open consultations: express your views.](#)

EFRAG has been asked by the European Commission to provide it with advice and supporting material on *Initial Application of IFRS 17 and IFRS 9 – Comparative Information (Amendment to IFRS 17)* ('the Amendment'). In order to do so, EFRAG has been carrying out an assessment of the Amendment 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 (the EU) and European Economic Area.

A summary of the Amendment is set out in Appendix 1 of the accompanying *Draft Letter to the European Commission* regarding endorsement of the Amendment.

Before finalising its assessment, 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 interests of transparency, EFRAG will wish to discuss the responses it receives in a public meeting, so it is preferable that all responses can be published.

EFRAG's initial assessments, summarised in this questionnaire, will be updated for comments received from constituents when EFRAG is in the process of finalising its *Letter to the European Commission* regarding endorsement of the Amendment.

Your details

1 Please provide the following details:

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

German Insurance Association (GDV)

Gesamtverband der Deutschen Versicherungswirtschaft e. V.

Wilhelmstraße 43 / 43G, 10117 Berlin, Germany

- (b) Are you a:

Preparer User Other (please specify)

An insurance association

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

Initial Application of IFRS 17 and IFRS 9 – Comparative Information (Amendment to IFRS 17)
Invitation to Comment on EFRAG's Initial Assessments

The German Insurance Association (GDV) is the federation of private insurers in Germany. Its about 460 member companies offer comprehensive coverage and retirement provisions to private households, trade, industry, and public institutions, through 454 million insurance contracts. With an investment portfolio of approx. 1.761,6 billion EUR (in 2020), insurers play a leading role for investments, growth, and employment in the German economy.

(d) Country where you are located:

Germany

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

Gesamtverband der Deutschen Versicherungswirtschaft e. V. (GDV)
German Insurance Association
Wilhelmstraße 43 / 43G, 10117 Berlin, Germany
Department: Accounting / Risk Management / Internal Audit
Phone: + 49 30 2020 - 5000
E-Mail: rechnungslegung@gdv.de

EFRAG's initial assessment with respect to the technical criteria for endorsement

2 EFRAG's initial assessment of the Amendment is that it meets the technical criteria for endorsement. In other words, the Amendment is not contrary to the principle of true and fair view and meets the criteria of understandability, relevance, reliability, comparability and lead to prudent accounting. EFRAG's reasoning is set out in Appendix 2 of the accompanying *Draft Letter to the European Commission* regarding endorsement of the Amendment.

(a) Do you agree with this assessment?

Yes No

If you do not agree, please provide your arguments and what you believe the implications of this could be for EFRAG's endorsement advice.

No further comments.

(b) Are there any issues that are not mentioned in Appendix 2 of the accompanying *Draft Letter to the European Commission* regarding endorsement of the Amendment that you believe EFRAG should take into account in its technical evaluation of the Amendment? If there are, what are those issues and why do you believe they are relevant to the evaluation?

The holistic analysis undertaken by EFRAG in its draft endorsement advice on this critical one-time relief is from our perspective an all-encompassing one and covers the important aspects completely. We have no additional comments to raise.

Initial Application of IFRS 17 and IFRS 9 – Comparative Information (Amendment to IFRS 17)
Invitation to Comment on EFRAG’s Initial Assessments

The European public good

- 3 In its assessment of the impact of the Amendment on the European public good, EFRAG has considered a number of issues that are addressed in Appendix 3 of the accompanying *Draft Letter to the European Commission* regarding endorsement of the Amendment.

Improvement in financial reporting

- 4 EFRAG has identified that in assessing whether the endorsement of the Amendment is conducive to the European public good it should consider whether the Amendment is an improvement over current requirements across the areas which have been subject to changes (see paragraphs 3 to 7 of Appendix 3 of the accompanying *Draft Letter to the European Commission*). To summarise, EFRAG’s initial assessment is that the Amendment is likely to improve the quality of financial reporting.

Do you agree with the assessment?

Yes No

If you do not agree, please provide your arguments and indicate how this could affect EFRAG’s endorsement advice.

No further comments. And indeed, the Amendment provided by the IASB will allow reporting entities to provide more consistent, more comparable, and hence overall more useful information to investors and other users of financial statements. It will particularly help insurers to provide undistorted important trend information to users in their financial statements when based for the first time on IFRS 17 and IFRS 9.

Costs and benefits

- 5 EFRAG is also assessing the costs that are likely to arise for preparers and for users on implementation of the Amendment 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 8 to 14 of Appendix 3 of the accompanying *Draft Letter to the European Commission* regarding endorsement of the Amendment. To summarise, EFRAG’s initial assessment is that the Amendment is likely not to result in significant costs for preparers and not directly impact 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?

No further comments. And indeed, the absolutely essential one-time relief provided by the IASB (in a very response way and in a timely manner!) will reduce the costs of affected reporting entities in a very significant way as it will in particular help to avoid the need to (manually) combine the information from two different accounting ledgers as described in paragraph 10 and 11 of Appendix III.

Initial Application of IFRS 17 and IFRS 9 – Comparative Information (Amendment to IFRS 17)
Invitation to Comment on EFRAG’s Initial Assessments

- 6 In addition, EFRAG is assessing the benefits that are likely to be derived from the Amendment. The results of the initial assessment of benefits are set out in paragraph 15 to 16 of Appendix 3 of the accompanying *Draft Letter to the European Commission* regarding endorsement of the Amendment. To summarise, EFRAG’s initial assessment is that both preparers and users will benefit from the Amendment.

Do you agree with this assessment?

Yes No

If you do not agree with this assessment, please provide your arguments and indicate how this could affect EFRAG’s endorsement advice.

No further comments.

- 7 EFRAG’s initial assessment is that the benefits to be derived from the Amendment in the EU, as described in paragraph 6 above, are likely to outweigh the costs involved, as described in paragraph 5 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 could affect EFRAG’s endorsement advice.

We fully agree with EFRAG’s initial assessment. Furthermore, the Amendment can be applied on an optional basis. Hence, it allows all affected reporting entities to make their own individual and entity-specific assessment whether the perceived benefits in their individual circumstances exceed the costs of applying the optional classification overlay.

Overall assessment with respect to the European public good

- 8 EFRAG has initially concluded that endorsement of the Amendment would be conducive to the European public good (see paragraphs 18 to 21 of Appendix 3 of the accompanying *Draft Letter to the European Commission*).

Do you agree with this conclusion?

Yes No

If you do not agree, please explain your reasons.

No further comments.