

POSITION PAPER



Comments to EFRAG's Draft Letter on the IFRS IC's Tentative Agenda Decision on Transfer of Insurance Coverage under a Group of Annuity Contracts (IFRS 17)

ESBG (European Savings and Retail Banking Group)

Rue Marie-Thérèse, 11 - B-1000 Brussels

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ESBG welcomes the opportunity to comment on the EFRAG's Draft Letter on Tentative Agenda Decision – Transfer of Insurance Coverage under a Group of Annuity Contracts (IFRS 17).

We represent the locally focused European banking sector, helping savings and retail banks in 21 European countries strengthen their unique approach that focuses on providing service to local communities and boosting SMEs. ESBG unites at EU level around 900 banks that provide retail banking services, including for certain banks the provision of insurance coverage and related services to their clients. This letter represents the consensus view of ESBG, including the financial conglomerates that are represented.

ESBG is writing to comment on the EFRAG's Draft Letter on IFRS Interpretations Committee's Tentative Agenda Decision regarding Transfer of Insurance Coverage under a Group of Annuity Contracts (IFRS 17 Insurance Contracts).

ESBG would like to express its appreciation to the EFRAG's swift response as this is an urgent issue. ESBG welcomes and supports the EFRAG's Draft Letter as it will allow IFRS Interpretations Committee to be aware of the consequences this decision and any other related to IFRS 17 may have for companies implementing this standard.

ESBG considers in particular that it is relevant to remind the IFRS Interpretations Committee that this Tentative Agenda Decision occurs when:

- The date of initial application of IFRS 17 is 1 January 2023. Most European insurers will also apply IFRS 9 for the first time on that date.
- IFRS 9 and 17 implementation projects are well underway and on track to meet the requirements by 1 January 2023.
- Implementing IFRS 9 and 17 is a major project of unprecedented effort; entities will therefore need all the time to 1 January 2023 to finalise the implementation.
- Entities have been committing significant resources and effort to the implementation of IFRS 9 and 17 and need a period of stability ahead of the standards' entry into force. Any disruption to this process should be avoided.
- A number of interpretations issues are being finalised by companies internally and with auditors. Whilst ongoing, these do not put the initial application of IFRS 9 and 17 at risk and further guidance/intervention by regulators is not deemed necessary and it could threaten the finalisation of the IFRS 17 implementation projects.

Additionally, ESBG believes that this Tentative Agenda Decision (TAD) does **not correctly portray the insurance service provided under these contracts, is not aligned with a principle-based standard and puts at risk IFRS 17 implementation on time for January 2023 for companies affected by this TAD.**

ESBG believes that **both Approach A and B represent valid interpretations of the principles in IFRS 17 and if the IFRS Interpretations Committee believes that only one approach is a valid interpretation of IFRS 17 principles, then ESBG would recommend this issue to be addressed in a post-implementation review** together with other issues that were pending to be addressed as well as others that may arise in the future.

In conclusion, ESBG supports and appreciates EFRAG sending this letter to the IFRS Interpretations Committee with The IASB Chair in copy.



About ESBG (European Savings and Retail Banking Group)

ESBG represents the locally focused European banking sector, helping savings and retail banks in 21 European countries strengthen their unique approach that focuses on providing service to local communities and boosting SMEs. An advocate for a proportionate approach to banking rules, ESBG unites at EU level some 900 banks, which together employ more than 650,000 people driven to innovate at roughly 50,000 outlets. ESBG members have total assets of €5.3 trillion, provide €1 trillion in corporate loans (including to SMEs), and serve 150 million Europeans seeking retail banking services. ESBG members are committed to further unleash the promise of sustainable, responsible 21st century banking. Our transparency ID is 8765978796-80.



European Savings and Retail Banking Group – aisbl

Rue Marie-Thérèse, 11 ■ B-1000 Brussels ■ Tel: +32 2 211 11 11 ■ Fax : +32 2 211 11 99

Info@wsbi-esbg.org ■ www.wsbi-esbg.org

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