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Ref: EFRAG's draft letter on the IFRS Interpretation Committee's tentative agenda decision in the final phase of implementing IFRS 17 Insurance contracts

Madrid, 17th May 2022

Dear Jean-Paul,

In the present letter ICAC gives its view on the EFRAG's Draft Letter on the IFRS Interpretation Committee's tentative agenda decisions in the final phase of implementing IFRS 17 Insurance contracts.

First of all, ICAC appreciates the effort that EFRAG is doing to clarify the application questions arisen in relation to IFRS 17 and to give voice to the concerns expressed by some constituents, including Spain, regarding the latest IFRS IC Tentative Agenda Decision on Transfer of Insurance Coverage under a Group of Annuity Contracts that was issued in March 2022.

The conclusion of the IFRS IC agenda decision is that, in applying IFRS 17 to determine the quantity of the benefits of insurance coverage for survival provided under each annuity contract, the Approach A is the only one acceptable to determine the amount of the contractual service margin to recognize in profit or loss in a period.

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In our view, allowing only Approach A will have a huge negative impact on the operational costs and on the IFRS 17 implementation process. Having into account the challenges that the insurance companies are facing in this critical phase of implementation, any change now would require a reasonable period of time to be adopted and an important amount of extra costs.

In particular, this is an essential issue for the insurance Spanish market since annuity contracts represent around 48% (91 billion € approximately) of the life in-force portfolio (as of 31<sup>st</sup> December 2021).

This change will be totally disruptive for the Spanish insurance industry, which is already at a very advance level of implementation of the standard and the approach B has been the one applied in the Spanish market.

As IFRS is a principle- based standard, we believe that both approach A and approach B should be acceptable based on facts and circumstances.

For these reasons, we support the content of EFRAG's Draft Letter on the IFRS IC's tentative agenda decision and we are available to further discuss this issue and to provide arguments in favor of allowing the application of both approaches.

Please don't hesitate to contact us if you would like to clarify any point of this letter.

Yours sincerely,

Santiago Durán Domínguez

Chairman of the ICAC

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