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[Draft] Comment Letter

You can submit your comments on EFRAG's draft comment letter by using the '[Express your views](#)' page on EFRAG's website, then open the relevant news item and click on the 'Comment publication' link at the end of the news item.

Comments should be submitted by [date].

International Accounting Standards Board
7 Westferry Circus, Canary Wharf
London E14 4HD
United Kingdom

[XX Month 2022]

Dear Mr Barckow,

Re: *IFRS IC Tentative Agenda Decision: Transfer of Insurance Coverage under a Group of Annuity Contracts (IFRS 17 Insurance Contracts)*

On behalf of the European Financial Reporting Advisory Group (EFRAG), I am writing to comment on the IFRS Interpretations Committee's (IFRS IC's) tentative agenda decisions regarding Transfer of Insurance Coverage under a Group of Annuity Contracts (IFRS 17 *Insurance Contracts*) issued in March 2022. While this issue has arisen in the UK, other EU countries are also affected by this issue, in particular Spain.

This letter is intended to contribute to the IASB's due process and does not necessarily indicate the conclusions that would be reached by EFRAG in its capacity as advisor to the European Commission on endorsement of definitive IFRS Standards in the European Union and European Economic Area.

EFRAG questions the timing of bringing a Tentative Agenda Decision (even rejecting the issue raised) less than one year before the date of first application. Preparers are in need for a period of calm exactly at this stage. EFRAG notes that the IFRS 17 Transition Resource Group has not addressed issues since April 2019 which has allowed preparers much needed stability in preparing for implementation. EFRAG further recalls that at the occasion of the 2020 Amendments to IFRS 17, the IASB rejected further changes to the standard in order not to unduly disrupt implementation or risking undue delays in the effective date.

EFRAG has been made aware that some of its constituents are in the process of implementing Method 2¹ for determining the quantity of the benefits of insurance coverage

¹ Determined based on the total of: i. the annuity payment the policyholder is able to validly claim in the current period, and ii. the present value of the annuity payments the policyholder is expected

IFRS IC Tentative Agenda Decision - Transfer of Insurance Coverage under a Group of Annuity Contracts (IFRS 17)

in order to determine the amount of the contractual service margin ('CSM') to recognise in profit or loss in a period. EFRAG has been informed that any change now will not only bring unforeseen costs but also require lead time in implementation as it requires updates to the IT-systems as well as testing beforehand and such timing is not compatible with the application of Method 1 for entities that are implementing Method 2.

This comment goes beyond the current issue and is valid also for other topics in the IFRIC pipeline regarding IFRS 17 or to topics that relate to other standards soon before or immediately after their implementation.

EFRAG further notes that IFRS 17 was developed as a principles-based standard, and it does not prescribe a method for determining the quantity of the benefits provided under a group of insurance contracts. In its Tentative Agenda Decision, the Committee is going beyond the principle of how to recognise insurance services as defined in paragraph B119 of IFRS 17 by elaborating the way how coverage units are to be recognised. In EFRAG's view this rather adds requirements to the Standard than it interprets them because the paragraph does not provide detailed guidance on what the insurance service exactly is.

Considering all the above, EFRAG kindly requests IFRIC to reconsider its plan for addressing this issue at this stage.

If you would like to discuss our comments further, please do not hesitate to contact Sapna Heeralall or me.

Yours sincerely,

Jean-Paul Gauzès

to be able to validly claim in the future until the end of the coverage period (the balance of the expected future annuity payments as at the end of the current period).