



29 January 2021

**Mr. Jean-Paul Gauzès**  
EFRAG Board President  
EFRAG  
35 Square de Meeûs

B-1000 Brussels- Belgium

Dear Mr Gauzès,

**EFRAG Draft Endorsement Advice on IFRS 17 'Insurance Contracts' as amended in June 2020**

UNESPA (Association of Spanish Insurers and Reinsurers) would like to thank EFRAG for its extensive work on IFRS 17 and for considering our issues and the related solutions. We also appreciate the opportunity to analyse and comment on EFRAG's Draft Endorsement Advice on IFRS 17 'Insurance Contracts' as amended in June 2020. UNESPA is the representative body of more than 280 private insurers and reinsurers that stand for approximately 98% of the Spanish insurance market. Spanish insurers and reinsurers generate premium income of more than €55 billion, directly employ 60,000 people and invest more than €317 billion in the economy.

UNESPA, as member of Insurance Europe has taken part in all the Insurance Europe documents and discussions linked with the IFRS 17 project. UNESPA firmly supports the Insurance Europe and the European Insurance CFO Forum's joint position on the Draft Endorsement Advice, except otherwise an alternative approach is stated in this letter. In consequence, our comments have to be considered together with the European industry position.

We want to take the opportunity to comment about several concerns from a Spanish insurance market's view. Such is the aim of the current document.

**General comments**

UNESPA supports a high-quality standard for insurance contract accounting and several Spanish Insurers have contributed significant efforts in your testing of IFRS 17, in particular through responding to the EFRAG IFRS 17 Case Study in 2018 and the EFRAG Limited Update in 2020.

**We support endorsement of IFRS 17 provided that there is an appropriate solution for annual cohorts**

We support the endorsement of IFRS 17 in the European Union, provided that there is an adequate solution to the issue of 'annual cohorts' as part of the endorsement process.

For Spanish Insurers, the application of annual cohorts to cash flow-matched contracts is of particular importance. The level of aggregation requirement in these long-term saving-products is not justified and consistent with the principles that underpin the insurance business, it leads to an artificial variability in the



adjustments of the CSM in senior cohorts and increases the scope of potential onerous cohorts. The CFO Forum, the French standard setter and particularly the Spanish standard setter regarding cash flow-matched products have already provided potential solutions which can be used as a basis for solving this issue. We believe this significant issue should be resolved as part of the endorsement of IFRS 17 in the European Union. We believe that the solution developed should be optional (to allow insurers to also comply with IFRS as issued by the IASB) and furthermore should not delay IFRS 17's effective date of 1 January 2023.

**Several other issues remain unresolved, but should not impact the endorsement process**

Whilst these other issues should not impact the endorsement process of IFRS 17 in the European Union, several priority issues (including mismatches that arise at transition under Fair Value approach, CSM amortization, scope of hedging and interaction with IFRS 9), for which solutions have been proposed by UNESPA, have also not been resolved by the IASB in the final IFRS 17 published in June 2020. Spanish Insurers have also encountered several other issues during their work in implementing IFRS 17 and we disagree with a number of assessments in the Draft Endorsement Advice (as highlighted in Appendix 1). Addressing these concerns would have significantly improved the quality and usefulness of IFRS 17. However, we do not believe that these issues should block the endorsement of IFRS 17 in the European Union in time for the 2023 effective date and, therefore, should not lead to amendments to IFRS 17 as part of the European endorsement process. We believe a thorough post implementation review, addressing all these issues (excluding issues only relevant at transition), will be needed.

**Detailed responses are included in Appendix 1**

We have included our responses to your 'Invitation to comment' in Appendix 1. We highlight that it is difficult to answer several questions: while we do not fully agree with EFRAG's assessment with regard to all issues other than annual cohorts for the reasons set out above (which lead to a 'No' response to the questions), we do agree with EFRAG's assessment that topics should not block the endorsement of IFRS 17 in the European Union in time for the 2023 effective date, therefore for these 'other issues' our 'No' responses should be viewed in this context.

We appreciate the opportunity to provide comments on the Draft Endorsement Advice and would be pleased to discuss them with you at your earliest convenience.

Yours faithfully,



**María Aránzazu del Valle Schaan**  
Secretary General