

Mr Jean-Paul Gauzès  
President  
European Financial Reporting Advisory Group (EFRAG)  
Square de Meeûx 35  
1000 BRUXELLES

---

**Grant Thornton  
International Ltd**  
20 Fenchurch Street  
Level 25  
London  
EC3M 3BY  
T +44 (0)20 7391 9500

29 January 2021

Dear Mr Gauzès

**EFRAG's Draft Letter to the European Commission Regarding Endorsement of IFRS 17 Insurance Contracts as amended in June 2020**

Grant Thornton International Limited ('GTIL') is pleased to share with the European Financial Reporting Advisory Group (EFRAG) its view on the advice and supporting material it has prepared in relation to IFRS 17 'Insurance Contracts' as amended in June 2020 ('IFRS 17' or 'the Standard'). We have chosen to respond to EFRAG's analysis of IFRS 17 because when this Standard is approved it will profoundly change how insurance contracts are accounted for within Europe, but also in many other countries around the world.

The documents EFRAG produced setting out its initial assessment with respect to the technical criteria for endorsement of IFRS 17 are comprehensive and well set out. We were pleased to see the EFRAG Board concluding on a consensus basis that, apart from the requirement to apply annual cohorts to intergenerationally mutualised and cash-flow matched contracts, the Standard met the qualitative characteristics or relevance, reliability, comparability and understandability required to support economic decision making and stewardship.

The difference of opinion that exists with the EFRAG Board about whether the requirement to apply annual cohorts to intergenerationally mutualised and cash-flow matched contracts met the qualitative characteristics was well documented. We noted a majority of EFRAG Board members concluded that, in the absence of an alternative principle-based approach to grouping of contracts, the annual cohort requirement currently set out in IFRS 17 provides and an acceptable approach to meet the reporting objectives set out in the Standard. However, we are mindful of the lack of consensus within the EFRAG Board: some consider that to apply annual cohort requirement for insurance contracts with intergenerational mutualisation and cash-flow matched contracts in several jurisdictions might not result in information that is relevant nor reliable because it could fail to reflect the economic characteristics and underlying legal rights and obligations of these types of contracts or the underlying business model that is exists within reporting entities issuing these types of insurance contracts.

However, our considered view is IFRS 17, as issued by the International Accounting Standards Board, should be approved in its entirety and without any amendments being made to accommodate the concerns expressed by some stakeholders regarding annual cohorts and there should be no delay in endorsing this essential standard.

Our justification for this is that IFRS 17 operates alongside a full suite of other financial reporting standards issued by the IASB. When selective changes are made to a financial reporting standard it introduces another layer of complexity that investors operating in global capital markets have to respond to. Our understanding is when the IASB approved this Standard for issue it was fully aware that insurance contracts such as the ones noted in Annex A of Annex 1, would be affected. Notwithstanding the complexity and addition costs the IASB's annual cohort decision would generate, it was a decision that was knowingly made. We therefore hold the view that for EFRAG to propose amendments to the Standard at this time would be a retrograde step for promoting international comparability in an industry that truly does operate internationally.

We appreciated the European Commission is now faced with a significant and important decision. Whatever decision is ultimately made, we trust it will be well communicated so IFRS 17 can applied consistently across the EU.

Should you wish to further discuss the view we have expressed in this response, please do not hesitate to contact the writer, Mark Hucklesby who can be contacted via email at [mark.hucklesby@gti.gt.com](mailto:mark.hucklesby@gti.gt.com).

Yours sincerely

A handwritten signature in black ink, reading "Mark Hucklesby". The signature is written in a cursive style with a long, sweeping underline.

**Mark Hucklesby**

Director – Financial Reporting  
Grant Thornton International Ltd