GDV
DIE DEUTSCHEN VERSICHERER

Mr
Roger Marshall
Acting President of the Board
European Financial Reporting Advisory Group
35 Square de Meeûs
B - 1000 Brussels

Ref
F

Phone extension
5400

Date
19.06.2015

EFRAG's draft endorsement advice regarding adoption of IFRS 9 *Financial Instruments* in the EU

Dear Mr Marshall

On behalf of the German Insurance Association (GDV) we welcome the opportunity to comment on EFRAG's draft endorsement advice regarding the EU adoption of IFRS 9 Financial Instruments, with 1 January 2018 as the mandatory effective date as set by the IASB.

In general, we mostly share the analysis and the tentative assessment of EFRAG as provided in the draft endorsement advice, especially regarding the conclusion on the **need to align the mandatory effective dates of IFRS 9 and the future insurance contracts Standard (IFRS 4 Phase II) for insurers**. The inherent linkage between insurance liabilities and financial assets held by insurers is essential and substantiated enough to not require insurers to apply IFRS 9 in isolation ahead of the future insurance contracts Standard. We agree that this alignment should be best provided on a global basis by the IASB itself. Nevertheless, EFRAG should recommend to the European Commission in its final endorsement advice, as a fallback position and as a second best solution only, to provide an EU-solution for insurers if the IASB does not defer the effective date of IFRS 9 for insurers. In addition, we believe that the case of conglomerates should be appropriately addressed when providing a deferral of IFRS 9 for insurers. In our detailed response we provide some suggestions in this regard.

We fully acknowledge that the current consultation of EFRAG is primarily focused on the binary decision to advice the endorsement of IFRS 9 (or not) to the European Commission. Nevertheless, we also strongly recommend to take into account the concerns of insurance industry regarding the **identified deficiencies of IFRS 9** (as issued by IASB in July 2014).

Gesamtverband der Deutschen Versicherungswirtschaft e. V.

German Insurance Association

Wilhelmstraße 43 / 43 G, D-10117 Berlin
Phone: +49 30 2020-5000
Fax: +49 30 2020-6000

51, rue Montoyer
B - 1000 Brussels
Phone: +32 2 28247-30
Fax: +32 2 28247-39
ID-Nummer 6437280268-55

E-Mail: a.wehling@gdv.de

www.gdv.de

In particular, we respectfully ask EFRAG to support our position that IASB needs to remove the implicit preference for full fair value approach and potential disadvantages for long-term investments in IFRS 9. This can be achieved via narrow scoped amendments to IFRS 9

(1) to remove the prohibition of recycling on equites measured at fair value through other comprehensive income (FVOCI), and

(2) to introduce an explicit FVOCI option for simple debt instruments being otherwise accounted for at amortised costs.

The rationale for the suggested changes is of a general conceptual nature. However, it is especially evident when considering the material interaction of IFRS 9 with the ongoing insurance contracts project (IFRS 4 Phase II) and the envisaged current measurement approach for insurance liabilities, accompanied by the accounting policy choice allowing the use of OCI presentation which we strongly support. The suggested amendments would significantly improve the level of consistency between the two Standards, both of essential importance for insurers and significantly influencing the relevance of insurers' financial statements. And both suggested changes are necessary to remove the potential disadvantaging effects for the involvement of insurers in long-term debt or equity financing of infrastructural projects. Therefore, we urge EFRAG to request the IASB to reconsider the related decisions on IFRS 9 when finalising the insurance contracts project, prior to potential Post-Implementation Review of IFRS 9. Finally, we believe that the Post-Implementation Review of IFRS 9 should reassess the design and the practicability of the new impairment model from insurers' perspective.

Our comments in detail, our conclusions and the related rationale are provided in the attached response to your consultation. In addition, we refer to our letter to EFRAG as of 29 January 2014 on the same subject.

If you like to discuss our response further, please do not hesitate to contacts us.

With best regards

Dr. Jörg von Fürstenwerth	Dr. Axel Wehling
Head of the Executive Board	Member of the Executive Board