EFRAG Board
Att.: Mr Roger Marshall, acting president of the EFRAG Board
Ms Francoise Flores, chairman of EFRAG

forsikring & pension

Via e-mail to Commentletter@efrag.org

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Danish Insurance Association
Philip Heymans Allé 1
DK-2900 Hellerup
Phone +45 41 91 91 91
Fax +45 41 91 91 92
fp@forsikringogpension.dk
www.forsikringogpension.dk

Jan V. Hansen

Dir. +4541 91 91 20
jvh@forsikringogpension.dk

Our ref. JVH/mfo

RE: EFRAG DCL on IASB ED 2015/11 on IFRS 4 in relation to IFRS 9

The Danish Insurance Association who is a member of the informal Danish Funding Mechanism appreciates this opportunity to comment on the draft comment letter (DCL) issued by EFRAG related to the IASB ED 2015/11 on IFRS 4 in relation to IFRS 9.

It is our impression that many Danish insurance companies would like to implement IFRS 9 at the soonest possible time. However, the decision to implement may be postponed by some, as long as the content of IFRS 4 phase II is not finally determined. Therefore, we'd like to emphasize the importance of getting to a final decision on a thoroughly prepared IFRS 4 phase II before end 2016/early 2017.

Generally, we support the content of the IASB ED 2015/11, and therefore we will comment on a few points, but not on all the specific questions.

In continuation of our comment letter regarding endorsement of IFRS 9 we support the views expressed by EFRAG in relation to IFRS 9 and the insurance issues. We strongly support a temporary exemption (deferral approach) of IFRS 9 for insurance activities and we also strongly support that the deferral approach should be an option for insurance businesses, so that companies with insurance business can choose whether or not to adopt IFRS 9 for the insurance activity.

We believe it is very important to the Danish insurance companies to have a realistic possibility to defer the implementation of IFRS 9 and therefore it is important that the deferral approach option is allowed below the reporting entity level. Generally, we are not in favour of having different accounting policies in a group, but we find it acceptable in this case, because the temporary deferral approach is to be used for a short period only and we expect appropriate requirements for presentation in the primary financial statements and appropriate disclosure requirements.

We particularly want to state the following basis for our conclusion:

We believe it will be very costly to implement, IFRS 9 and IFRS 4 revised at different points in time. Both implementations are costly by themselves and implementing in two steps rather than combining the implementations in one step is very costly and very troublesome.

In addition, we have recently implemented Solvency II. Implementing IFRS 9 and IFRS 4 revised in two steps in the financial statements will only make it more difficult for users to understand our financial statements and we will have to argue the cases of the changes in accounting but also the potential changes in investment strategies and potentially changes in policy conditions. As the financial statements thus will be quite difficult to understand, this will most likely result in having to explain our results via use of non-GAAP measures.

A possibility to defer the implementation of IFRS based on entities below reporting entity, we expect, will make it realistic for a majority of Danish listed insurance activities to defer until both IFRS 9 and IFRS 4 revised can be implemented at the same point in time.

Yours sincerely,

Jan V. Hansen
Executive Director, MSc Econ.