Dear All,

AMICE, the European Association of Mutuals and Cooperatives, welcomes the opportunity to provide answers to the questions and to comment on EFRAG's draft Comments Letter to the IASB Exposure draft.

Please find below our answers:

Question 2 – Proposing both and overlay approach and a temporary exemption from applying IFRS9
AMICE supports the optionality of both approaches, the overlay and the temporary exemption from applying IFRS9. Both approaches should be available for the insurers and EFRAG should not favour one over another. Furthermore, we would like to extend the temporary exemptions to the date the final IFRS 4 phase 2 is effective.

Question 3 – The overlay approach
We would like to inform that most of the AMICE members will use the temporary exemption from IFRS9 and not the overlay approach. In addition to the costs of running two accounting systems, the overlay approach still requires firms to assess the classification of certain group of assets and the investment strategy (business model) before the impacts of the new insurance contracts standard can be properly analysed (the overlay approach can only be applied for financial assets which are classified as fair value through profit or loss in accordance with IFRS 9 when they would not have been classified as FVPL under IAS 39 and are designated as relating to contracts in the scope of IFRS4).

Question 4 – The temporary exemption
With regards to the predominance criteria, AMICE members would support Approach 1, a widened "predominant activity" criterion.
All assets and liabilities related to the insurance activities (derivatives, deferred taxes, risk margin, unit link products (1)) should be part of the equation and we agree with the arguments provided in the letter. For mutual insurers any components which are specific to the financing of mutual companies, such as member accounts which are under IAS 32 not classified as equity instruments, should not be included in the equation.

However, the predominance criteria should remain principle-based and no arbitrary thresholds should be set. We see no reason why the threshold should be set at a higher level. Provided the firm passes the test, the deferral should be applied at reporting entity level (insurance and non-insurance activities). We also support the disclosure on how the predominance criterion has been computed.

If the insurance company fail to pass the test according to the 'amended' Approach 1, firms should be allowed to apply Approach 2, the "regulated entity" criterion. Firms should therefore be allowed to assess the predominant activity both at reporting entity level or below reporting entity level.

(1) Unit-link products (including the so-called investment contracts) should be considered in the equation as legally they are insurance contracts.

<u>Transfers</u>

AMICE does not have any objection with regards to the EFRAG proposals on the transfers of assets even though we do not see which situations are being addressed since internal transfers are being removed when applying consolidation principles, internal transfers. We would not support the proposal thereby firms are required to present the transferred financial assets separately in the statements of financial position and other comprehensive income. If the transferred financial assets are not material, they should not be presented in a separate line. Reference to IAS1 – Presentation of financial statements should be made.

Question 5 – Should the overlay approach and the temporary exemption from applying IFRS9 be optional?

We agree that both approaches should be optional.

Question 6 – Expiry date

We agree with the sunset clause whereby the temporary exemption from applying IFRS9 should have an expiry date. However, we would like to extend the temporary exemptions to the date the final IFRS 4 phase 2 is effective.

Other issues

AMICE would like to raise concerns with regards paragraph 37A – (c) and (d) on the section on Disclosure in the Exposure Draft. The ED requires firms to provide disclosures about the overlay approach and the temporary exemption from applying IFRS9. We do not see the need to request for additional and distinct disclosures for the transitional period. We consider that the information required by IFRS 7 is applicable and sufficient. We therefore require a deletion of these paragraphs from the Exposure draft.

We remain at your disposal, should you need further explanation or clarification.

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