Dear Mr Gauzès,

We are writing to you with respect to the endorsement process of the new accounting standard for insurance contracts, IFRS 17, issued by the International Accounting Standard Board (IASB) and for which the European Commission in October 2017 has formally requested EFRAG to provide an advice by the end of 2018.

The three ESAs have consistently highlighted the importance of replacing the current accounting standard for insurance contracts, IFRS 4, which came into application in 2005 and which was intended as a temporary measure that permits the grand-fathering of different and inconsistent accounting practices within the consolidated accounts of individual groups and across the European Union. Therefore, IFRS 4 cannot facilitate comparable and transparent financial statements of insurance undertakings in Europe.

Comparability and transparency of financial information are the basis of long-term financial stability for all sectors of the economy, including the insurance sector and are conducive to deeper financial integration that is at the heart of the project for the Capital Markets Union.

In this context, we have been monitoring EFRAG’s processes relating to the endorsement advice for IFRS 17 and we would have expected a more transparent decision-making process around the recent EFRAG Board letter to the IASB, which urges the IASB to change key building blocks of IFRS 17, and a more in-depth discussion of the technical analysis of EFRAG’s Technical Expert Group.

While, at this stage, we do not express any detailed technical views on IFRS 17, we reiterate the need to continue to progress and to finalise the analysis of IFRS 17 in a timely manner against the background of the effective date of IFRS 17 of 1 January 2021.

In this respect, we highlight that the timely completion of the endorsement process is particularly important taking into account that insurance companies and financial conglomerates undertaking insurance activities have been granted the option to defer the application of IFRS 9, the new standard on financial instruments, until 1 January 2021, which would coincide with the effective date of IFRS 17. Therefore, we caution against any further delays in the endorsement of IFRS 17, which would
challenge the coordinated application of IFRS 9 and the new insurance contracts standard, considering the need for timely application of IFRS 9 to these entities.¹

Kind regards,

[signed] [signed] [signed]

Andrea Enria
EBA Chairperson,

Gabriel Bernardino
EIOPA Chair

Steven Maijoor
ESMA Chair
Chairperson Joint
Committee

C.c.: 

Roberto Gualtieri, Chair of the ECON committee, European Parliament
Valdis Dombrovskis, Vice President, European Commission
Olivier Guersent, Director General, Financial Stability, Financial Services and Capital Markets Union, European Commission
Alain Deckers, Head of Unit, Accounting and Financial Reporting at DG Financial Stability, Financial Services and Capital Markets Union, European Commission

¹ Please also refer to our communication regarding the extension of the exemption from applying IFRS 9 of 21 June 2017; http://esas-joint-committee.europa.eu/Publications/Letters/Annex%20to%20letter%20%20%20(ESAs%20note%20on%20top%20up%20to%20temporary%20exemption%20from%20IFRS%209).pdf.