

Mr Hans Hoogervorst
IFRS Foundation
7 Westferry Circus
Canary Wharf
London E14 4HD
United Kingdom

3 September 2018

Dear Hans,

Re: IFRS 17 Insurance Contracts: Issues raised by constituents

EFRAG appreciates the IASB's efforts to discuss issues associated with the implementation of IFRS 17 and the willingness you have expressed to react if evidence emerges of unexpected costs or other problems with the Standard.


As you are aware, in the process of preparing a draft endorsement advice on IFRS 17, EFRAG has conducted significant outreach with constituents, including an extensive case study (in which 11 large European insurance companies participated) and a simplified case study (in which 49 European insurance companies of varying sizes participated). EFRAG has also conducted significant outreach with users. Constituents have raised a number of concerns during the course of our work. EFRAG has not yet determined the impact of these issues on the draft endorsement advice that is under preparation.

The EFRAG Board has reviewed the concerns raised and has considered the evidence obtained during our outreach activities. The EFRAG Board has identified the following topics that, in our view, merit further consideration by the IASB:

- (a) Acquisition costs (for costs incurred in expectation of contract renewals);
- (b) CSM amortisation (impact on contracts that include investment services);
- (c) Reinsurance (onerous underlying contracts that are profitable after reinsurance, contract boundary for reinsurance contracts where underlying contracts are not yet issued);
- (d) Transition (extent of relief offered by modified retrospective approach and challenges in applying fair value approach);
- (e) Annual cohorts (cost-benefit trade-off, including for VFA contracts); and
- (f) Balance sheet presentation (cost-benefit trade-off of separate disclosure of groups in an asset position and groups in a liability position and non-separation of receivables and/or payables).

We would be very pleased to share with you the evidence obtained during our outreach activities related to these topics.

Yours sincerely, 


Jean-Paul Gauzès
President of the EFRAG Board