

EFRAG Board

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



Via e-mail to Commentletter@efrag.org

Comments on the draft endorsement advice letter (DEA) issued by EFRAG related 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 endorsement advice letter (DEA) issued by EFRAG related to IFRS 9.

Generally, we support the content of the EFRAG DEA, and we support the views expressed by EFRAG in relation to IFRS 9 and the insurance issues. We strongly support a deferral of IFRS 9 for insurance activities for the reasons stated below and in the DEA. We also strongly support EFRAG when they argue Appendix 3 paragraph 110 (page 73) that the deferral should be an option for insurance businesses, so that companies with insurance business can choose whether to adopt IFRS 9 for the insurance activity or not (we believe it is also implicit in the wording in the last paragraph on page 3).

We particularly support the following:

We believe it will be very costly to have the burden to implement Solvency II, IFRS 9 and IFRS 4 revised at three different points in time. Each of these implementations is costly by themselves and then to have to implement three times rather than having to combine the implementations at one single point in time is very costly and very annoying.

We will also like to point out it is really due to IASB not being able to finalize the two projects in time as promised over many years. IASB has worked with the insurance project for more than 15 years, and it was supposed to be ready many times, but certainly in 2010, and at the same time, as IASB promised IFRS 9 issued. Therefore, had IASB not taken 5 years extra, it could have meant implementation at one point in time. We believe IASB should take on themselves the responsibility and facilitate a way forward that should make the implementation less costly, and therefore IASB themselves should allow a deferral of IFRS 9 until the IFRS 4 revised implementation date.

In addition it is not only costly but it also making it difficult for the users of our financial statements to understand the many changes, 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. It may mean that

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we will have to explain our results via use of non-GAAP measures, because the financial statements might not be easy to understand.

We believe the changes to the impairment rules will not really have a big impact on the insurance industry in Denmark, and we support the simplified hedging requirements.

Finally, we will call for relief to reassess the business model for financial assets, when IFRS 4 revised is implemented, plus call on IASB to evaluate other issues where relief is necessary in relation to IFRS 9 when finalizing IFRS 4.

Conclusions

DIA supports endorsement of IFRS 9 provided there is an option for insurance businesses to defer implementation of IFRS 9 until the implementation date of IFRS 4 revised.

Yours sincerely,


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