



To: Mr Hans Van Damme  
Acting Chairman  
EFRAG Supervisory Board  
35 Square de Meeûs  
1000 Brussels

From: Economics & Finance department

Date: 1 August 2014

Reference: ECO-FRG-14-197

Subject: EFRAG Supervisory Board proposal to enhance IASB quality control procedures

Dear Mr van Damme,

Insurance Europe welcomes the opportunity to comment on the European Financial Reporting Advisory Group (EFRAG) Supervisory Board initiative regarding the ways how to further enhance the high quality of final International Financial Reporting Standards (IFRS), eg through the use of extended fatal flaw reviews coupled with transparent public involvement. Insurance Europe supports any initiative which contributes to the objective of having a high quality IFRS framework as a stable global financial reporting basis.

Insurance Europe sees merits in the EFRAG Supervisory Board proposals as they are suitable to avoid changes made to newly issued IFRS. However, we would like to urge caution against a stage of amendments so close to the mandatory application date. Please find our detailed comments below.

**Public fatal flaw reviews are useful prior to finalising any major amendment or a new standard.**

Insurance Europe supports the view that the systematic use of public fatal flaw reviews of final standard drafts would be a useful measure to avoid changes to a newly amended or issued IFRS. We also believe that the proposed scope for application is appropriate: new IFRS and major amendments to existing IFRS. The quality of the final wording can only be positively impacted by such an extended public fatal flaw review. However, we believe it would be useful to define the underlying criteria of a "major" amendment to an existing IFRS.

Furthermore, we would like to highlight that private fatal flaw reviews are less helpful than public fatal flaw reviews. We do not see a benefit in contacting several stakeholders separately, as it is more beneficial to capitalise on the views of all interested stakeholders to provide a wider perspective on the possible unintended consequences on the draft wording. We do not believe that a public fatal flaw process would create a significant risk of delay to the process or require a greater use of International Accounting Standards Board (IASB) resources.

**An IASB implementation stage after an IFRS is issued could be a suitable addition on top of a public fatal flaw review, and not only a possible alternative.**

If the IASB remains convinced that the public fatal flaw review process cannot be conducted before publication of the final requirements, we support the EFRAG Supervisory Board's recommendation that an implementation stage after publication could be an alternative. Nonetheless, we think that a public fatal flaw review and an implementation stage serve a different, though complimentary, purpose. We envisage that both processes for a single project would be helpful, especially in case of a new IFRS where real application experience is not yet available.

**An implementation stage and a public fatal flaw review organised by the IASB should serve a different objective to avoid duplication of effort.**

Insurance Europe recognises that both a public fatal flaw review and an implementation stage organised by the IASB could lead to a duplication of effort. We recommend that the objective for both procedures should be clearly described. Whereas a public fatal flaw review would serve the purpose of a theoretical analysis to help the Board ensure that the IFRS detailed requirements reflects the intentions of the Board's decision, an implementation stage would give the opportunity to identify unintended operational concerns.

We firmly support the IASB's aim to get an IFRS right first time. However, realistically, despite the best efforts the Board and preparers ahead of IFRS publication, it is only at the implementation stage that some operational issues might be identified.

**The implementation stage objective should not delay implementation efforts by introducing the risk of major amendments.**

There is a risk that some entities might wait until an IFRS is "re-issued" before seriously considering active implementation efforts as it would not be beneficial to commit resources to an uncertain outcome. This is especially true for smaller insurers who do not always have the resources to actively engage with the IASB during the development phase of a new IFRS or amendment to an existing one. An implementation stage could therefore raise concerns that have not previously been envisaged. We would like to highlight the need to avoid a stage of continuous (clarifying) amendments so close to the mandatory application date.

Insurance Europe sees the benefits and rationale of an implementation stage such as the temporary existence of an IASB implementation group of experts. Nevertheless, we believe that the following risks should be addressed:

- First of all, we believe that final conclusions from an implementation group should be reached well before the mandatory date applies. This would avoid the need for last-minute operational changes.
- Secondly, we believe that the composition of an implementation group should include a large variety of stakeholders, but mainly preparers and auditors. Insurance Europe considers that once the IFRS or amendment has been issued, we expect that preparers have the biggest challenge to implement the outcome.
- Thirdly, we would like to avoid the risk that an implementation stage would become an opportunity to draw IASB conclusions into doubt and reopen debates. Nevertheless, we believe that it is important to guarantee that if major flaws occur, the usual IASB due process with exposure drafts should be followed.

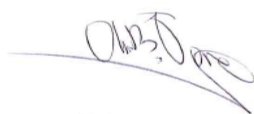
Finally, we have the view that before the end of the implementation stage, an amended version of the standard or amendment to an existing IFRS should be approved by the IASB as it continues to have ultimate responsibility. Moreover, our views are strongly based on that fact that an implementation stage post issuing an IFRS or amendment to an existing IFRS should not prevent or replace due process procedures currently in place prior to issuing an IFRS or amendment to an existing IFRS, for example, field testing.

**The IASB Board must keep the ultimate responsibility to approve any amendments to IFRSs.**

It is important that the IASB Board continues to have the ultimate responsibility of developing/amending IFRS. We therefore support the EFRAG Supervisory Board's proposal that public fatal flaw results should be assessed by the IASB in a public meeting before a final decision is reached. This would enhance the transparency and involvement of stakeholders, especially preparers, in ensuring that the wording in new and revised standards following a public fatal flaw review and implementation stage could be implemented operationally.

Feel free to contact me if you have any further questions or comments.

Sincerely,



Olav Jones  
Deputy Director General / Director Economics & Finance