



Draft endorsement advice and effects study report on IFRS 9 *Financial Instruments*

The ABI's response to the EFRAG's invitation to comment on its assessments

Introduction

1. The ABI is the voice of the insurance and investment industry in the UK. Its members constitute over 90 per cent of the insurance market in the UK and 20 per cent across the EU. They control assets equivalent to a quarter of the UK's capital. They are the risk managers of the UK's economy and society. Through the ABI their voice is heard in Government and in public debate on insurance, savings, and investment matters.
2. The ABI is grateful for the opportunity to respond, both as preparers and as investors, to the EFRAG's invitation to comment on the assessments contained in the EFRAG's draft endorsement advice and effects study on IFRS 9 *Financial Instruments*.

ABI response

3. The ABI agrees with the EFRAG's initial assessments and supports EC endorsement of IFRS 9.
4. We note the dissent of two EFRAG board members on the grounds that an improved standard might be achievable over a further period of development and that the adoption of this standard would therefore be premature. However, in our view, considerable progress has already been made by the IASB through its consultation process. Further, it was the requirements of the European Union and G20 that dictated the issuance of a revised standard at this time, and it is reasonable to regard the IFRS 9 as an appropriate standard to be introduced in this context. Accordingly, it would be perverse were this standard not to be adopted for use within the EU even though it may be applied internationally, and European companies may be disadvantaged accordingly, and so we do not agree with the dissenters.
5. Without prejudicing our agreement with the EFRAG's assessments and our support to the EC's endorsement, we also invite the EFRAG to note the following factors. They arise because the IASB is working on a comprehensive replacement IFRS for insurance contracts and we don't yet know what its accounting requirements will be for insurance liabilities. This is important to insurers because their business models are based on the matching of financial assets with insurance liabilities. Hence, insurers will need:



- to be able to revisit the reclassification of financial instruments, and related transitional provisions, on implementation of the new IFRS for insurance contracts; and
 - the applications dates of IFRS 9 and of the new IFRS for insurance contracts to be aligned.
6. We have made the IASB aware of these needs, and we understand that they will be taken into account in the IASB's further development of IFRS 9.
7. In addition, we note that implementation of the standard now need not prevent further consideration of improvements to the accounting, including disclosures. In particular we would stress the importance of users of accounts having the information to enable them to judge the reliability of accounting numbers, quality of earnings and balance sheet strength. These matters are of particular significance to shareholders who also have the responsibility of ensuring the companies that they own make well-grounded decisions on important matters such as the raising of additional risk capital and payment of appropriate dividends.

Association of British Insurers

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