



To: EFRAG
Attn: Jean-Paul Gauzes
EFRAG
35 Square de Meeûs (fifth floor)
1000 Brussels
Belgium

Our reference: ECO-CORP-22-025

Subject: IE response to EFRAG DCL on Exposure Draft Disclosure Initiative - Subsidiaries without Public Accountability: Disclosures

Brussels, 26-01-2022

Dear Jean-Paul,

This letter is from Insurance Europe which represents 95% of the premium income of the European insurance market. Accordingly, it represents the consensus view of the European insurance industry.

We welcome the opportunity to comment on EFRAG's draft comment letter on the IASB's on Exposure Draft Disclosure Initiative - Subsidiaries without Public Accountability: Disclosures ("The ED"). While we appreciate the IASB's initiative to ease financial reporting of eligible subsidiaries and support the IASB's proposal in general, we would like to raise two points of particular concern from the perspective of the insurance industry.

Firstly, we believe that **the scope of the proposed IASB's initiative unduly excludes insurance companies**. In paragraph 7 of the ED, the IASB clarifies that an entity has public accountability if (a) its debt or equity instruments are traded in a public market (or are in the process of issuing such instruments for trading in a public market) or (b) it holds assets in a **fiduciary capacity** for a broad group of outsiders as one of its primary businesses. While Insurance Europe agrees that listed companies (including insurance undertakings) have public accountability, we **disagree that insurers are always holding assets they invest in in a fiduciary capacity and, as such, prevent the insurers to be included in the scope of application of the Standard**.

Insurers' core business model is to underwrite risks and receive premiums from policyholders which are then invested to earn a return. Insurers invest policyholders' premiums for asset-liability-management purposes on their own right and on own risk where the main objective is to ensure that their obligations determined by insurance contracts can be met in all circumstances. While insurers offer some specific products like unit-linked insurance contracts, it does not mean that insurers' main activity is to act in a fiduciary capacity for policyholders.

In addition, insurers across all jurisdictions are highly regulated on a prudential basis to monitor their activities, ensure that customer obligations are met, and adequate solvency is maintained. Given the very high cost of implementing and reporting under IFRS 17, IFRS 9 and other relevant Standards, it is important that possibilities to apply the new IFRS Standard in a proportionate way are at least investigated. We believe that it is likely to be possible for the IASB to identify a reduced set of disclosures through this initiative, which would provide a sufficient level of information.

We acknowledge that in the European legislation the term 'Public Interest Entities' (PIEs) exists, but it was designed for a different purpose and we do not support that the IASB mirror the scope of PIEs for the purpose of the new IFRS Standard as proposed in the ED under consideration.



Insurers' subsidiaries which are not listed should be in the scope of the IASB's proposed new regular IFRS Standard. The set of proposed relief with regard to disclosure requirements in specific Standards as proposed in the ED should be eligible for the insurance sector as well to ensure a level playing field.

Secondly, **we fully agree with EFRAG's assessment of the IASB's arguments** included in paragraph BC64 of the Basis for Conclusions **for not proposing the reduced disclosure requirements for insurance contracts**. The IASB proposal does not include any suggestions on how the complex and burdensome disclosure requirements in IFRS 17 could be reduced for eligible subsidiaries.

Indeed, those arguments are not compelling and the application a full set of disclosure requirements for IFRS 17 Insurance Contracts might result in undue costs and efforts and bring no or only little benefit to the users of financial statements for subsidiaries without public accountability. We believe that a comprehensive set of reduced disclosure requirements should be developed also for IFRS 17 when finalising the proposed new IFRS Standard.

Finally, while we are supportive of the IASB's initiative to ease financial reporting for eligible entities we do not recommend any additional disclosures to be included into the package proposed by the IASB for the new regular IFRS Standard as suggested in the EFRAG DCL. We believe that it might undermine the IASB's efforts to provide significant operational relief for reporting entities in the scope of the future IFRS Standard and we agree that it should be applied on an optional basis to allow for an entity-specific consideration of its benefits.

If you would like any further information on any of these matters or wish to discuss them further with us, we would be pleased to assist.

Yours sincerely,

A handwritten signature in black ink that reads "Olav B. Jones". The signature is written in a cursive style with a long, sweeping underline.

Olav Jones