CFOFORUM CEA Insurers of Europe

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Dear Mr Hoogervorst

Exposure draft 2011/3 – Mandatory Effective Date of IFRS 9

This letter reflects the views of the European Insurance CFO Forum, a group representing 21 of Europe's largest insurance companies, and the Comité Européen des Assurances (CEA), representing 95% of the premium income of the European Insurance market.

We welcome the delay to the IFRS 9 mandatory effective date

We welcome the proposal in the Exposure draft *Mandatory Effective Date of IFRS 9* (the "ED") to delay the mandatory effective date of IFRS 9 in the light of continuing delays in the finalisation of both the financial instruments and insurance contracts projects. We do not, however, support the establishment of a revised effective date of annual periods beginning on or after 1 January 2015.

It is premature to set an effective date before completing the financial instruments project

It is stated in the Basis for Conclusions ("BfC") that there is a need to enable an appropriate period for implementation before the mandatory application date of the new requirements. In that regard, the BfC refers not only to the relevant phases of the financial instruments project but also to the insurance contracts project. Given that there remains considerable uncertainty around the timing of the finalisation of both projects, with a significant number of outstanding issues across both projects, it appears to be premature to set an effective date of 2015. We believe that entities should be able to implement IFRS 9 in its entirety rather than adopting a piecemeal approach to implementation that may be necessary as a result of delayed finalisation of the constituent parts. In this respect we believe that given its complexity there must be sufficient time (e.g. two years) between the finalisation of all phases of the IASB's financial instruments project and the beginning of the first comparative period in which an entity must adopt IFRS 9.

The interaction with IFRS 4 Phase II is critical and similarly makes it premature to set an effective date

Given the relationship between assets and liabilities in insurance entities, as recognised in the BfC, it is important that entities writing insurance contracts should not be required to adopt IFRS 9 until the same date as the mandatory adoption date of IFRS 4 Phase II. Without such a proviso insurers would be required to have to undergo two separate significant conversion exercises within a few years of each other. We also believe it is premature to set an effective date for IFRS 9 before completing the Insurance Contracts Project as the decisions taken in that project on the use of Other Comprehensive Income have a critical interaction with IFRS 9.

Comparative information must be meaningful

We believe that comparative information must be meaningful. IFRS 9 includes several exceptions to full retrospective application (including but not limited to, the definition of the business model and designation of assets at initial application) and transition arrangements will be needed for hedge accounting given the inability to apply it retrospectively. Similarly, IFRS 9 paragraph 7.2.1 states that IFRS 9 shall not be applied to items that have already been derecognised at the date of initial application which would result in comparative information having to utilise IAS 39 classifications, such as Available for Sale or Held to Maturity, for subsequently realised assets, thus reducing comparability between periods presented. As a result, we do not believe that comparative information will result in useful information for users in all circumstances.

Furthermore, we note that the usefulness of providing comparative information for IFRS 9 is highly dependent on the transitional arrangements in IFRS 4 Phase II, which are not yet known.

In 2005, during the initial adoption of IFRS in the EU, companies were provided with the option of not restating comparatives for IAS 39. We believe that such option should equally be available for the implementation of IFRS 9. This enables companies to make their own judgement whether users are best served with restated comparatives or other transitional disclosures.

Finally, we note that requiring restated comparative information is also impacted by the mandatory effective date and is compounded for entities in jurisdictions which have longer comparative reporting periods, for example, those entities in France and for SEC filers. If comparative information is required for IFRS 9, the 2015 effective date is already, therefore, likely to be impractical for such entities given the underlying standards have yet to be finalised. We believe that the IASB should give consideration to this issue and liaise with relevant bodies in those jurisdictions accordingly as in 2005 when exemptions were given.

Please feel free to contact us if you wish to discuss the matters covered in this letter in more detail.

Yours sincerely

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