



Hans Hoogervorst Esq  
Chairman  
International Accounting Standards Board  
30 Cannon Street  
London  
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18 November 2011

Dear Hans,

### **Request for views: Agenda Consultation**

This letter has been drafted by the European Insurance CFO Forum, a body representing the views of 21 of Europe's largest insurance companies. Accordingly it represents the consensus view of a significant element of the European insurance industry.

We are taking this opportunity to comment on the Request for Views document on your Agenda Consultation (the "RfVs") and provide our view on the strategic direction and overall balance of the IASB's work plan.

#### **Question 1**

*What do you think should be the IASB's strategic priorities, and how should it balance them over the next three years?*

#### **Question 1(a)**

*Do you agree with the two categories we identified and the five strategic areas within them? If you disagree, how do you think the IASB should develop its agenda, and why?*

#### **Question 1(b)**

*How would you balance the two categories and five strategic areas? If you have identified other areas for the IASB's agenda, please include these in your answer.*

**We agree with the strategic areas identified and the need to ensure appropriate balance between them**

We agree with the five strategic areas you have identified (conceptual framework including a presentation and disclosure framework, researching strategic issues for financial reporting, standards-level projects, post-implementation reviews and responding to implementation needs) under the categories of developing financial reporting and maintaining existing IFRSs and we agree it is important the IASB gets the right balance of its time and focus between these categories and areas over the next five years.

**The IASB's key priority should be the completion of the existing priority standards-level projects**

In that respect, we believe that the IASB's key priority should be the completion of the Board's existing four priority standards-level projects (Financial Instruments, Insurance Contracts, Revenue Recognition and Leasing) and in particular we believe the highest priority should be given to accelerating work on the Financial Instruments and Insurance Contracts projects to ensure their completion within a reasonable timeframe given the importance of those standards.

**It is fundamental that sufficient time is dedicated to completing the Insurance Contracts Project**  
As we have previously communicated to you, we are fully committed to the development of a comprehensive insurance contracts accounting standard and believe the development of such a standard is critical to the insurance industry. Given the impact that the insurance contracts standard will have on our industry, we also



feel it is fundamental that the IASB dedicates sufficient time to elaborating a complete and robust model for this standard, both in terms of measurement and of presentation, coupled with an appropriate framework for consultative due process. Furthermore, at present there is no comprehensive IFRS accounting standard for insurance contracts so whilst we recognise that the IASB's focus is wide and far reaching, we believe that priority should be given to developing an insurance contracts standard ahead of starting new projects to deal with implementation issues on other topics or commencing large scale research projects.

### **Developing the conceptual framework is important but interaction with existing projects must be considered when doing so**

In terms of balancing the IASB's time and focus between the other strategic areas, we recognise the importance of the conceptual framework and agree that updating this should be a strategic priority of the IASB, however, we would exercise an element of caution about the interaction of the development of the conceptual framework with the IASB's existing projects, specifically in relation to presentation and disclosure where the IASB is developing principles for presentation and disclosure as part of the Insurance Contracts Project. We would not want the development of the conceptual framework to change those principles before the insurance contracts standard has been implemented.

### **Research should not be carried out at the expense of existing projects**

Whilst we agree that investing time in researching strategic issues is important we do not believe this should be at the expense of progressing the Board's standards-level projects within a reasonable timeframe and in particular the completion of the IASB's existing projects.

### **It is vital that the IASB respond to issues identified on implementation of new standards**

We agree that it is vital for the IASB to respond to implementation needs and believe that responding to early implementation issues, for example through post-implementation reviews, should help with more effective and efficient implementation of new IFRSs. Consideration of implementation will be particularly important with the development of IFRSs that deal with topics not currently dealt with by IFRSs as they are likely to create more implementation issues than projects which refine or develop existing standards. We believe this will be especially relevant to the Insurance Contracts Project as it will introduce a totally different reporting basis for insurers and there are likely to be practical implementation issues arising from that. Therefore, we believe that the IASB's consideration of and response to the issues that arise from the future implementation of this standard will be very important.

#### **Question 2**

*What do you see as the most pressing financial reporting needs for standard-setting action from the IASB?*

#### **Question 2(a)**

*Considering the various constraints, to which projects should the IASB give priority, and why? Where possible, please explain whether you think that a comprehensive project is needed or whether a narrow, targeted improvement would suffice?*

#### **Question 2(b)**

*Adding new projects to the IASB's agenda will require the balancing of agenda priorities with the resources available. Which of the projects previously added to the IASB's agenda but deferred would you remove from the agenda in order to make room for new projects, and why? Which of the projects previously added to the IASB's agenda but deferred do you think should be reactivated, and why? Please link your answer to question 2(a).*

### **Completion of existing priority projects is the most pressing requirement for the IASB**

As discussed earlier in this letter, we believe that the IASB's first priority should be the completion of the Board's existing four priority standards-level projects (Financial Instruments, Insurance Contracts, Revenue Recognition and Leasing). Therefore, we believe the IASB should focus its time and resource on completing those projects before starting new projects or reinstating projects previously deferred by the IASB. It is



important that the commitment to convergence does not subject the development of these standards to unnecessary delay.

**The insurance industry will need a period of calm after the completion of IFRS 4 Phase II**

As an industry we are facing a period of substantial change in financial reporting and regulation including the future implementation of IFRS 9 and IFRS 4 Phase II along with the ongoing implementation of Solvency II for European insurers. Therefore, in terms of identifying projects to which the IASB should give future priority, we believe it is important that, following completion of the IASB's existing standards-level projects, the industry has a period of calm to give the new financial reporting frameworks time to embed.

**The insurance contracts standard should have time to embed before commencing new projects which would change elements of those proposals**

Taking into account the projects identified by the IASB in the RfVs document as possible future projects, we are concerned that the IASB could introduce new projects which would override or change elements of the insurance contracts standard and therefore, we would want to ensure this would not be before insurers have had time to implement and embed the insurance contracts standard. Examples of such projects include those on Financial Statement Presentation, Discount Rate and Presentation and Disclosure.

**The insurance contracts standard could provide a platform to build wider projects in the future**

We also think that issues dealt with through the development of the insurance contracts standard could provide a platform on which to build a wider future project, an example being the use of Other Comprehensive Income (OCI). We believe that developing an "OCI solution" is absolutely critical to the Insurance Contracts Project and so do not think there is enough time nor is it appropriate for there to be a future standalone project on the use of OCI before completing the Insurance Contracts Project. Instead developing a principle for the use of OCI as part of the Insurance Contracts Project could then provide the IASB with a sound base and starting point for a wider reaching OCI project.

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

Yours sincerely

Oliver Bäte  
Chair, European Insurance CFO Forum