

M. Jean-Paul Gauzès
President of the EFRAG Board
35 square de Meeùs
B61000 Brussels
Belgium

Paris, le 29 janvier 2021

Draft endorsement advice of IFRS 17

Dear M. Gauzès,

The Institut des Actuaire (the French public interest association representing 4 500 actuaries) welcomes the EFRAG's invitation to comment on the draft endorsement advice on IFRS 17.

The work carried out by EFRAG in recent years has been very useful in assessing the relevance of the IASB's proposals for the future financial reporting of insurance contracts. We appreciate the effort made to understand and analyze the views expressed by the various stakeholders.

For more than 10 years, the Institut des Actuaire shared its comments (IASB, EFRAG) at every stage of the development of the standard. We believe that the amended version of IFRS 17 – except for the annual cohort requirement – is an improvement compared to both its previous version and IFRS 4.

Nevertheless, we have strong concerns about the annual cohort requirement which fails to give a relevant representation of the life insurance business model. This observation is very worrying since it concerns more than €1600 billion in provisions on the French insurance market! For the concerned insurance contracts, this requirement leads to an artificial representation of performance, which is arbitrary and not useful for financial statement's users. In addition, it generates significant implementation costs. Since the IASB rejected the solutions proposed, we believe that this issue should be addressed in the European endorsement process and not be postponed to the Post-Implementation Review.

We consider that the annual cohorts' requirement should be removed for contracts eligible to the variable fee approach that share a significant part of the return on common underlying items across generations. Therefore, we support the French accounting standards setter (ANC) proposal:

An entity could elect to not apply the annual cohort requirement to a group of contracts that meets the three following criteria:

- a. the group of contracts only includes contracts with cash flows that affect or are affected by cash flows to policyholders of other contracts as described in paragraphs B67–B71 of IFRS 17;*
- b. the contracts in the group jointly participate in a share of returns on a clearly identified common pool of underlying items. Contracts jointly participate when the entity exercises discretion in relation to the timing and allocation of the total policyholders' profit share to individual policyholders; and*
- c. the contracts in the group are insurance contracts with direct participation features as specified in paragraph B101 of IFRS 17—accordingly, the VFA model applies to those contracts.*

Finally, we support the implementation of IFRS 17 – with an appropriate solution to the annual cohorts issue for the intergenerationally mutualized contracts - on 1st January 2023

Our responses to your invitation to comment have been included in Appendix 1.

We hope you'll find these comments useful. Do not hesitate to contact us if you wish to discuss any of the issues raised.

Yours sincerely,

Philippe Talleux
President

Pierre Thérond
President of the Accounting Committee

