Deutsches Rechnungslegungs Standards Committee e.V.
Accounting Standards Committee of Germany
DRSC

DRSC e. V. • Zimmerstr. 30 • 10969 Berlin

Jean-Paul Gauzès
EFRAG Board President
35 Square de Meeûs
B-1000 Brussels

IFRS Technical Committee
Phone: +49 (0)30 206412-12
E-Mail: info@drsc.de

Berlin, 9 December 2016

Dear Jean-Paul,

EFRAG's Draft Letter regarding endorsement of *Amendments to IFRS 4*

On behalf of the Accounting Standards Committee of Germany (ASCG) I am writing to comment on EFRAG's Draft Letter to the European Commission regarding Endorsement of *Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts: Amendments to IFRS 4.*

We support EFRAG's preliminary assessment to recommend the Amendments for endorsement. Like EFRAG, we consider all technical endorsement criteria being met. In particular, we believe that the Amendments are conducive to the provision of relevant, reliable and understandable information. We further take the view that the possible reduction of comparability due to the introduction of the two options is acceptable against the background of addressing most of the concerns arising from the misalignment of the effective dates of the two standards. Furthermore, we share EFRAG's view that the potential negative effect of the temporary exemption on prudence is mitigated by the facts that EFRAG mentions in its letter and, therefore, also believe that the Amendments lead to prudent accounting.

In considering whether the Amendments are conducive to the European public good we agree with EFRAG's positive assessment that the Amendments are likely to improve the quality of financial reporting, that the benefits for both users and preparers are likely to exceed the costs of applying the Amendments and come to the conclusion that, for the affected insurers in our jurisdiction, there is no material competition issue that we are aware of.

If you would like to discuss our comments further, please do not hesitate to contact Franziska Schmerse or me.

Yours sincerely,

Andreas Barckow
President

Appendix - Drafting comments

We would like to make some smaller drafting comments that came up when reading EFRAG's draft letter:

- Appendix 1, paragraph 21: This paragraph states that the overlay approach does not have an expiry date. We think it should be made clear that the overlay approach expires at the latest when IFRS 17 is to be applied (that is from 1 January 2021).
- Appendix 3, paragraphs 8 and 9: These paragraphs both comment on the costs due to preparing disclosures related to the temporary exemption. The wording should be amended in order to make clear to which particular disclosure requirements these paragraphs refer to as they, as currently drafted, seem to contain some duplication.
- Appendix 3, paragraphs 17 and 18: These two paragraphs need to be presented in reverse order so that the conclusion comes last.
- Appendix 3, paragraph 31 and 32(a): This paragraph refers to bank-led groups. Thus, para. 32(a) also needs to refer to "<u>bank</u>-led" instead of "insurance-led groups". Further, the interaction with para. 31 should be reviewed in order to clarify whether <u>all</u> 30 bank-led groups do not qualify for the temporary exemption (as stated in para. 31) or whether <u>one</u> bank-led group would be able to apply the temporary exemption (as stated in para. 32(a)).
- Appendix 3, paragraph 31 and 32(b): This paragraph states that, because of the low percentage of the entity's insurance liabilities compared to the entity's total liabilities, the significance of insurance activities to those entities could be questioned. However, as mentioned in para. 31, EFRAG itself reviewed the groups that, from EFRAGs point of view, seem to undertake significant insurance activities. It might be helpful to amend the wording of para. 31 so that those paragraphs do not contradict each other so that the statements are not questioned later in the letter.