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IFRS Technical Committee

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Dear Jean-Paul,

Draft Endorsement Advice – IFRS 17 Insurance Contracts

On behalf of the Accounting Standards Committee of Germany (ASCG) I am writing to contribute to EFRAG's Draft Endorsement Advice Letter on *IFRS 17 Insurance Contracts*.

We consider that the Standard meets the qualitative characteristics of relevance, reliability, comparability and understandability required to support economic decisions and the assessment of stewardship, leads to prudent accounting, and that it is not contrary to the true and fair view principle. We also agree that the Standard is conducive to the European public good.

We therefore like to emphasize that we clearly and fully support the endorsement of IFRS 17 as issued by the IASB, i.e. with no changes, and in a timely fashion. A swift endorsement is crucial for preparers in order to provide clarity to market participants by communicating changes to the financial position and performance reported under the current standard and to enable timely application no later than 1 January 2023.

Regarding EFRAG's technical assessment of the accounting requirements in the Standard we summarize our views as follows:

- As regards "all the other requirements", we take the clear view that all endorsement criteria have been met. Hence, we fully agree with EFRAG's positive assessment.
- As regards "the annual cohort requirement", we retain and reiterate our positive assessment conveyed at TEG and Board level. In our view, the majority of the negative arguments that have been raised against this requirement are neither robust nor specific to annual cohorts (esp. when it comes to exercising judgment and developing policies in order to meet the Standard's requirements). Further, we reiterate our known position that the annual cohorts requirement represents an acceptable compromise; so far, we have not been presented with an alternative that would be better in addressing the IASB's criteria and in terms of leading to better information and/or lower costs. The alternatives we have seen and discussed address the allocation mechanism from a different starting point (the policyholder rather than the shareholder of the insurance entity). We therefore take the clear view that the annual cohort requirement may not be the conceptually best solution as regards a level of aggregation requirement, but it clearly meets all the endorsement criteria.

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Regarding EFRAG's overall assessment of the Standard we do not concur with the approach to the messaging taken in the draft endorsement advice, which, in fact, does not contain any advice as it lacks a conclusion as to whether to endorse or not endorse IFRS 17 *as a package*. In particular, the current position taken by EFRAG appears inappropriate as there is no conclusion as to whether IFRS 17 shall be endorsed *despite* the criticisms on the annual cohort requirement or not be endorsed *because of* those reservations. We have always understood the endorsement advice process leading to a binary decision, positive or negative, that *pertains to the entire standard and not only to portions of it*.

To sum up, we underline our clear view that the reservations raised in the draft endorsement advice are not sufficient to justify not endorsing IFRS 17 as issued by the IASB in full. We therefore clearly advocate an unreserved positive statement and urge EFRAG to express an overall positive advice for endorsing IFRS 17.

If you would like to discuss our views further, please do not hesitate to contact me.

Yours sincerely,

Sven Morich

Executive Director