



The logo for CFO Forum, consisting of the text "CFO FORUM" in white on a blue rectangular background.

Hans Hoogervorst  
Chairman  
International Accounting Standards Board  
30 Cannon Street  
London  
EC4M 6XH

14 December 2012

### **Mandatory effective date of IFRS 4 and IFRS 9**

Dear Mr Hoogervorst,

This letter has been drafted by Insurance Europe, representing 95% of the premium income of the European insurance market and the European Insurance CFO Forum, a body representing the views of 20 of Europe's largest insurance companies. Accordingly, it represents the consensus view of a significant element of the European insurance industry.

We refer to the IASB tentative decisions on transition requirements for IFRS 4 Phase II "Insurance Contracts" made on 19 October 2012, where the IASB stated its intention to allow approximately a three-year implementation period for the insurance contracts standard, once published. We appreciate that the Board has recognised that a longer implementation period is needed for this standard. Nevertheless, European insurers have always emphasized the fundamental importance of the interaction between IFRS 4 and IFRS 9 Financial Instruments. We believe that the recent Board decisions may have effectively put into question this close relationship in view of the mandatory effective dates for the standards and outline our position below.

■ **Insurers should not be required to adopt IFRS 9 before the mandatory effective date of the new insurance contracts standard.**

The *IASB tentative* decision to move away from alignment of the effective mandatory dates for the final IFRS 9 'Financial Instruments' and of IFRS 4 'Insurance Contracts' may not be appropriate as insurers would need to apply IFRS 9 for annual periods beginning on or after 1 January 2015. This means that they would, in practice, have to undertake two significant conversion exercises within a few years of each other. This staggered approach to implementation of two fundamental accounting standards will give rise to complexity and significant operational costs for the insurance industry. It may also put into question the usefulness of financial reporting for users during this period, as users will experience two major changes in an insurer's financial statements in very short succession.

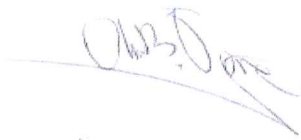
Furthermore, one of the three core objectives of the recent ED/2012/4 'Classification and Measurement: Limited Amendments to IFRS 9' (issued on 28 November 2012) is to "take into account the interaction of the classification and measurement model for financial assets with IASB's Insurance Contracts project" (IN1). We support this objective and believe that the same should apply to the mandatory effective dates of the inherently interconnected IFRS 4 and IFRS 9 standards. This interconnection was recognised by the IASB in the June 2010 Insurance Contracts ED (basis of conclusions paragraph BC 257) which concluded that the Board would consider delaying the effective date of IFRS 9 so that insurers should not have to face two rounds of major changes in a short period. Thus we urge the Board to reconsider its view on the mandatory effective date of the final IFRS 9 for insurers.

We are in the process of considering the overall proposals in the IFRS 9 ED and our comments on other aspects of the ED will be provided at a later stage.

We do not believe that any additional reclassification and redesignation criteria required for the transition period would be sufficient to replace the need to align the mandatory effective date of IFRS 4 and IFRS 9.

Do not hesitate to contact us for any further information.

Yours sincerely,



Olav Jones  
Deputy Director General  
Director Economics & Finance, Insurance Europe



Gerald Harlin  
Chair, European Insurance CFO Forum