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Our ref	: RJ-EFRAG 594 B
Direct dial	: Tel.: (+31) 20 301 039
Date	: Amsterdam, September 25th 2019
Re	: Comment on the draft comment letter on IASB ED/2019/4 Amendments to IFRS 17

Dear members of the EFRAG Technical Expert Group,

The Dutch Accounting Standards Board (DASB) appreciates the opportunity to respond on your draft comment letter to the International Accounting Standards Board's (IASB) Exposure Draft ED/2019/4 *Amendments to IFRS 17*[1] (the 'draft comment letter').

We would like to emphasize that IFRS 17 in our view is an important improvement in standard setting and a necessary replacement of the current IFRS 4 'Insurance contracts'. As a result, we urge that IFRS 17 is finalised and implemented without unnecessary delay. We consider it very important that effective dates for IFRS 17 are aligned in all jurisdictions and that the IASB takes into account the proposals below.

We concur with the responses and comments in your draft comment letter, with due regard to our comments below. These comments relate to EFRAG's responses (included in Appendix 1 of your draft comment letter) with regard to the 'Questions to constituents' and to 'Other comments that have not been addressed' (included in Appendix 2 of your draft comment letter).

(1) Questions to constituents

Below we provide you with our responses to the questions to constituents as included in Appendix 1 to your draft comment letter.

Question 1: Scope exclusions
With respect to loans that transfer significant insurance risk (Q1A) there are no concerns on the proposed scope within our jurisdiction.

1 http://www.efrag.org/Assets/Download?assetUrl=/sites/webpublishing/Project%20Documents/289/Amendments%20to%20IFRS%2017%20-%20DCL%20-%20final%202019-07-15.pdf

In respect of credit cards that provide insurance risk (Q1B) we agree that the scope limitation is too limited. We would suggest the IASB to revise the wording of the proposed amendment in paragraph 7(h) and also include other arrangements, such as debit cards and others, that contain significant insurance risk similar to credit cards. In our jurisdiction the term 'credit card' excludes payment cards with similar clauses as the credit cards in the scope exclusion. These arrangements would now remain in scope of IFRS 17.

Furthermore, based on the current IFRS 17 principles the selection of the accounting model (general model or the variable fee approach) only occurs at inception and is irrevocable. We are of the opinion that it is necessary that a significant change in the nature of a contract due to the execution of an option by the policyholder, which, if it had been in existence at the start of the contract, would have resulted in applying a different accounting model, is treated as a contract modification, upon which the contract should be treated under the appropriate measurement model.

Question 2: Expected recovery of insurance acquisition cash flows
We are of the opinion that there is no need for additional definitions on insurance contract renewals.

Question 3: Contractual service margin attributable to investment-return service and investment-related services
The proposed introduction of investment-return services is an improvement, but would produce differing results for economically similar contracts, depending on whether they include an option to surrender/transfer or not.
This inconsistent treatment to economically similar contracts will not only be visible in measurement and run-off of the contractual service margin, but also in measurement of the insurance liability as the requirements on investment return services equally determine whether investment management expenses are to be included in the expected fulfilment cash flows.

Whilst such contracts are not widespread in our jurisdiction, we are of the opinion that the proposed changes should ensure a similar accounting outcome for economically similar contracts.

Question 4: Reinsurance contracts held — recovery of losses on underlying insurance contracts

We hold the view that the proposed definition of proportional reinsurance contracts is too strict, as many proportional reinsurance contracts are not captured by the definition as proposed in the amendments. Proportional reinsurance contracts that would not be covered by the proposed definition include, for example, contracts that do not cover all insurance contracts in a specified group, contracts that do not cover all risks related to contracts in a specified group and contracts with minimum or maximum limits. We do not see a need to include a new definition of proportional reinsurance within the Standard. If the IASB were to define proportional reinsurance in IFRS 17, we hold the view that this definition should be aligned with the existing definition of proportional reinsurance contracts within the insurance practice.

We do not support to extend the amendments to non-proportional reinsurance contracts as these amendments may become too complex.

Question 5: Presentation in the statement of financial position

We agree with the proposed amendments and have no further comments other than our comments included in the section ‘Other comments that have not been addressed’.

Question 6: Applicability of the risk mitigation option
We are of the opinion that the application of the risk mitigation option should be extended to also include traditional investments or other instruments (in addition to derivatives and reinsurance).
In addition, we also hold the view that the risk mitigation option should be applicable for contracts other than just contracts accounted for under the variable fee approach.

Question 7: Effective date of IFRS 17 and the IFRS 9 temporary exemption in IFRS 4
We are of the opinion that it is very important to have certainty on the effective date of the EU-endorsed IFRS 17 and to realise similar effective dates on a global basis. We hold the view that this can only be achieved when the IASB sets a realistic effective date in the standard itself.
The current proposed timelines are very challenging. There is the risk that as a result of the due processes to be followed both at the IASB and in the EU endorsement process, the effective date of the standard could turn out to be too close to the date of the EU endorsement. As a consequence, insurers would have to determine comparative figures and communicate to the market, without having certainty on EU endorsement. This may result in the need to set a later effective date in Europe..

Question 8: Transition modifications and reliefs
We agree with the approach suggested by EFRAG to allow retrospective application of paragraph B115. This would align better to economic reality and would avoid the need for the two amendments proposed by the IASB. We are of the opinion that additional requirements are not needed to ‘prove’ that risk mitigation was in place at inception. Already in the current environment, appropriate documentation on risk management strategies exist prior to transition and is currently already available within insurance entities, and, therefore, entities will be able to prove with reasonable and supportable information that the conditions are met.

Question 9: Minor amendments
Whilst we are not aware of unintended consequences of the proposed minor amendments, we noted an additional amendment in the ED, that is not indicated as minor amendments, but which could have significant impact on the insurance companies involved. In paragraph B107 (b) of the ED the following change[2] is included:

(b) assess the variability in the amounts in paragraph B101(b) and B101(c):
  (i) over the duration of the ~~group of~~ insurance contract ~~contracts~~; and
  (ii) …

We are of the opinion that the timing and need for the proposed change to require the assessment of the variability in the amounts from ‘a group of insurance contracts’ to ‘an (individual) insurance contract’ is unexpected, very complex and inconsistent with other requirements in IFRS 17 that all refer to a group of contracts as the unit of account.

Question 10: Terminology
Whilst we are currently not aware of unintended consequences of the proposed changes in terminology, the proposal to change ‘coverage’ with ‘service’ in all elements of IFRS 17

[2] Page 36, ED/2019/4

represent a significant change throughout the standard and related materials. We are not convinced that the risk of such widespread change and the related efforts do outweigh, in this stage of the process, the benefits. Only when these changes in terminology can be implemented without consequential errors, we agree with these changes.

(2) <u>Other comments that have not been addressed</u>

We appreciate the opportunity to respond on three of the 'Other comments arising from topics in EFRAG's September 2018 letter to the IASB that have not been addressed by the ED' (included in Appendix 2 to your draft comment letter). Below we provide you with our responses.

Topic 1: Annual cohorts
We fully recognize the importance of this matter. We support the suggested approach by EFRAG to request the IASB to reconsider the requirement to determine the CSM by annual cohort as this is inconsistent with the nature of insurance businesses and contributes significantly to the operational complexity and implementation costs of IFRS 17. We note however that any change requires a trade-off between the amount of work to be performed and costs to be made by insurance entities versus the benefit of additional information.

Topic 2: Transition
Whilst as a standard setter we do not have examples of practical experience that the application of the modified retrospective approach is proving challenging in practice, we are of the opinion that it is important to ensure that the modified retrospective approach is workable. This would avoid a fallback to the fair value approach in circumstances where that is not appropriate.

Topic 3: Balance sheet presentation: Non-separation of receivables
We support EFRAG's view and are of the opinion that the current requirements in IFRS 17 on balance sheet presentation, based on the mandatory presentation of insurance liabilities on a 'cash' basis (i.e. without separate presentation of premiums receivable and claims payable), could lead to a situation where the insurance industry is the only industry that does not separately report (premium) accounts receivables and (claim and insurance expenses) accounts payable. The current systems support the separate reporting as receivables of the premiums that are contractually due. To include these in the measurement of the contracts (hence, the cash flow projections) will be a significant change at a significant cost that would result in a loss of relevant information for users.

We will be pleased to give you any further information that you may require.

Yours sincerely,

prof. dr. Peter Sampers
Chairman Dutch Accounting Standards Board