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Mr Hans Hoogervorst
Chairman of the
International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
United Kingdom

28 January 2016
602/567

Dear Mr Hoogervorst

Re.: IASB ED/2015/11 'Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts'

We appreciate the opportunity to comment on the exposure draft mentioned above and would like to submit our comments as follows:

In general, we support the Board's proposals, especially with regard to the temporary exemption from applying IFRS 9, in the light of the forthcoming new Insurance Contracts Standard. This initiative of the Board does encourage the stakeholders to finalize the insurance project in time. However, we recommend some modifications with respect to the temporary exemption. We refer to our responses to question 4.

Addressing the concerns raised (Q 1)

In our view, the concerns raised in paragraphs BC9-BC21 are relevant and we welcome the Board's initiative to address these concerns.

Proposing both an overlay approach and a temporary exemption from applying IFRS 9 (Q 2)

The IDW agrees with the Board that there should be both an overlay approach and a temporary exemption from IFRS 9. Depending on the circumstances of the different entities both approaches are appropriate solutions to address the concerns that the misalignment of the effective dates of IFRS 9 and the new insurance standards have brought. In this context, we note that the overlay approach only addresses the concern with respect to accounting mismatches and can therefore not be considered as an alternative to a temporary exemption.

The temporary exemption from applying IFRS 9 (Q 4)

We agree that eligibility for the temporary exemption from applying IFRS 9 should be based on whether the entity's predominant activity is issuing contracts within the scope of IFRS 4.

In our view, the proposed determination of whether an entity's predominant activity is issuing contracts within the scope of IFRS 4 is clearly described in the exposure draft and operationally feasible. However, we recommend certain specific refinements in order to address more fully the concerns described in the paragraphs BC9-BC21.

With respect to the proposal to identify a predominant activity based on the ratio 'liabilities under IFRS 4/total liabilities' we suggest considering an refinement, in order to avoid hardship cases where other liabilities resulting from insurance activities, such as pensions, current taxes, deferred taxes, subordinate loans or derivates related to insurance contracts can result in the carrying amount of the entity's liabilities within the scope of IFRS 4 being less than three-quarters of its total liabilities.

In our view, the proposal that an entity assess its predominant activity at the reporting entity level is straightforward. But we believe that a temporary exemption from applying IFRS 9 below the reporting entity level, could be operationally feasible; it would also contribute to a level playing field among 'pure insurers' and those that are part of a group with other activities, e.g. financial conglomerates. Initially an entity should assess its predominant activity at the reporting entity level. In the event that the predominant activity at the reporting entity level does not qualify as issuing contracts within the scope of IFRS 4, it should also be permissible to assess the predominant activity at subgroup (or even single entity) level.

We agree with the statement in paragraph BC29 that providing an exemption below the reporting entity level would be likely to result in both IAS 39 and IFRS 9 being simultaneously applied by a single reporting entity and that this could create a risk of earnings management (for example, a reporting entity could choose either where to originate financial assets or where to transfer those assets to achieve a particular accounting outcome). However, it would be possible to limit the potential for earnings management, by stipulating that the application of the temporary exemption from applying IFRS 9 must be defined as a 'change in accounting policy' according to IAS 8.

Expiry date for the temporary exemption from applying IFRS 9 (Q 6)

We agree with the Board setting an expiry date for the temporary exemption from applying IFRS 9 at 1 January 2021 on the assumption that the new insurance contracts Standard will be effective by that date.

We would be pleased to answer any questions that you may have or discuss any aspect of this letter.

Yours sincerely

Bernd Stibi
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Accounting and Auditing

Daniel Groove
Technical Manager