

November 4, 2019

Mr. Hans Hoogervorst  
Chairman  
International Accounting Standards Board  
Columbus Building  
7 Westferry Circus  
Canary Wharf  
London, UK E14 4HD

**Re: Amendments to IFRS 17**

Dear Mr. Hoogervorst:

CFA Institute appreciates the opportunity to comment on the [Exposure Draft on Amendments to IFRS 17, Insurance Contracts](#) (the Exposure Draft). CFA Institute<sup>1</sup> is providing comments consistent with our objective of promoting fair and transparent global capital markets and advocating for investor protections. An integral part of our efforts toward meeting those goals is ensuring that corporate financial reporting and disclosures – and the related audits – provided to investors and other end users are of high quality. Our advocacy position is informed by our global membership who invest both locally and globally and in consultation with the Corporate Disclosure Policy Council (“CDPC”).<sup>2</sup>

***Effective Date***

We welcome the IASB’s efforts in supporting the implementation of IFRS 17, *Insurance Contracts*. IFRS 17 is likely the longest project in IASB development history – the project commenced in 1997 and is now nearly 23 years old. We have followed the development of IFRS 17 over the last decade and the technical discussions post-issuance of the standard in 2017. We understand and reluctantly support that the IASB need to consult and tweak IFRS 17 to address operational and technical issues to ensure high quality implementation, including potentially delaying the effective date by one year. Having said that, we are against any further delays than the proposed 1 January 2022 effective date. IFRS 17 is expected to bring a new level of

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<sup>1</sup> CFA Institute is a global, not-for-profit professional association of nearly 171,400 investment analysts, advisers, portfolio managers, and other investment professionals in 165 countries, of whom more than 164,000 hold the Chartered Financial Analyst® (CFA®) designation. The CFA Institute membership also includes 154 member societies in 77 countries and territories.

<sup>2</sup> The objective of the CDPC is to foster the integrity of financial markets through its efforts to address issues affecting the quality of financial reporting and disclosure worldwide. The CDPC is comprised of investment professionals with extensive expertise and experience in the global capital markets, some of whom are also CFA Institute member volunteers. In this capacity, the CDPC provides the practitioners’ perspective in the promotion of high-quality financial reporting and disclosures that meet the needs of investors.

transparency and substantially improve comparability for the markets. We appreciate the Board's intent to facilitate an effective and efficient transition to the new standard, but if 20 plus years developing the standard could not resolve all issues then we are concerned that tweaking and debating could go on forever. ***It is time to implement IFRS 17 and enable the capital markets to assess the impacts of the increased transparency. Additional delays come at the cost of enhancing transparency to investors. We believe any further delay is unhelpful for capital markets.*** We believe a post-implementation review of the standard could revisit and revise policy choices and use of management judgements at a later date.

***Specific Questions in the Exposure Document:  
Faithful Representation of Performance Should Guide Decision-making***

We firmly support the principles underpinning IFRS 17 and would like to reiterate that those key principles should not be diluted. We are not taking time to comment on the specific questions and issues (with the exception of the effective date) in the Exposure Draft other than to point out that IFRS 17 should provide faithful representation as to the performance and volatility of underlying insurance contracts.

The timely identification and recognition of onerous losses is a critical element of the standard. We believe this will provide insights to underwriting standards; would require management to disclose market conditions where loss-making contracts are issued; and will enhance visibility and predictability around future volatility in profit and loss account. Additionally, any changes around acquisition cash flows should only be allowed if they enhance the economic relevance of the performance of the products. We would also advocate that safeguards should be included so the proposed changes are not used to smooth performance metrics. Still further, offsetting either via reinsurance or risk management strategies should not add opacity to understanding financial performance. We do not support reinsurance or risk management strategy revisions that smooth performance metrics and shield economic volatility from investors.

***Additional Topics Beyond Those in the Consultation***

*Unit of Account (Annual Cohorts)*

Annual cohorts are the most important pillar that will enable comparability for insurers operating across different jurisdictions. We believe annual cohorts allow sufficient flexibility to preparers but at the same time provides a basis where different insurance companies can be compared objectively. Any level of aggregation above the annual cohort will obscure visibility around the risk and earnings profile of insurance companies.

*Additional Disclosure to Enhance Transparency*

We would advocate a maturity analysis (less than 1 year, 1 to 5 years, 5 to 10 years, 10 to 15 years and more than 15 years) of gross fulfilment cashflows by products and total CSM % disclosure. We believe this will provide good visibility around introduction of new products and discontinued products entering runoff, without causing undue cost or effort on part of preparers.

***Conclusion***

We are aware that additional new issues, and some recycling of previously debated issues, have been raised in response to the Exposure Draft. ***We firmly believe that a timely implementation of IFRS 17 is far better than continued reporting under incompatible jurisdiction-specific GAAPs that don't reflect the more economically relevant insurance liability measurements under IFRS 17.***

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If you or your staff have questions or seek further elaboration of our views, please contact Sandra J. Peters at [sandra.peters@cfainstitute.org](mailto:sandra.peters@cfainstitute.org) or Kazim Razvi at [kazim.razvi@cfainstitute.org](mailto:kazim.razvi@cfainstitute.org).

Sincerely,

*/s/ Sandra J. Peters*

Sandra J. Peters, CPA, CFA  
Senior Head, Global Financial Reporting Policy  
CFA Institute

cc: Saskia Slomp, EFRAG