

**Bruce Mackenzie**  
**Chair**  
**IFRS Interpretation Committee**  
**Columbus Building**  
**7 Westferry Circus**  
**Canary Wharf, London E14 4HD**  
**United Kingdom**

## **The IFRS Interpretations Committee's tentative agenda decision on Transfer of Insurance Coverage under a Group of Annuity Contracts (IFRS 17)**

Dear Mr Mackenzie,

The European Securities and Markets Authority (ESMA) is an independent EU Authority that enhances the protection of investors and promotes stable and well-functioning financial markets in the European Union (EU). ESMA achieves this aim by building a single rule book for EU financial markets and ensuring its consistent application across the EU.

ESMA strongly supports the work of the IFRS Interpretations Committee (IFRS IC) to promote the consistent application of IFRS and continuous improvement of financial reporting quality. ESMA therefore appreciates the opportunity to respond to the IFRS IC's tentative agenda decision on Transfer of Insurance Coverage under a Group of Annuity Contracts (IFRS 17).

The IFRS IC discussed a question about how an entity determines, for a group of annuity contracts, the amount of the contractual service margin to recognise in profit or loss in a period because of the transfer of insurance coverage for survival in that period.

ESMA agrees with the IFRS IC's tentative agenda decision that in applying IFRS 17 to determine the quantity of the benefits of insurance coverage for survival provided under each annuity contract, a method based on the amount of the annuity payment the policyholder is able to validly claim (Method 1) meets the principle in paragraph B119 of IFRS 17 of reflecting the insurance coverage provided in each period, while a method based on the present value of expected future annuity payments (Method 2) does not meet this principle.

We consider that this decision would provide the necessary clarity and improve the consistent application of principles and requirements of IFRS 17.



In case you have any questions or comments regarding this letter, I suggest you contact Evert van Walsum, Head of the Investors and Issuers Department ([Evert.vanWalsum@esma.europa.eu](mailto:Evert.vanWalsum@esma.europa.eu)).

Yours sincerely,

Verena Ross