8 February 2016

International Accounting Standards Board
30 Cannon Street
London
EC4M 6XH
United Kingdom
Email: commentletters@ifrs.org

Dear Sir/Madam

SAICA SUBMISSION ON ED/2015/11 – APPLYING IFRS 9 – *FINANCIAL INSTRUMENTS* WITH IFRS 4 – *INSURANCE CONTRACTS*

In response to your request for comments on ED/2015/11 – Applying IFRS 9 – *Financial Instruments* with IFRS 4 – *Insurance Contracts,* attached is the comment letter prepared by the Accounting Practices Committee (APC) of The South African Institute of Chartered Accountants (SAICA). The APC comprises members from reporting organisations, regulators, auditors, IFRS specialists, investment analysts and academics.

The APC consulted users and preparers (all from large listed insurers) in the South African insurance and investment communities in drafting this comment letter.

We thank you for the opportunity to provide comments on this document.

Please do not hesitate to contact us should you wish to discuss any of our comments.

Yours faithfully,

Kevin Davies
Chairman of the Accounting Practices Committee

Bongeka Nodada
Project Director – Financial Reporting Standards

GENERAL COMMENTS

The majority of the respondents felt that the proposed temporary exemption from applying IFRS 9 – *Financial Instruments* is not appropriate.

A majority of the preparers indicated that they intend implementing IFRS 9 when it becomes effective in 2018. They also cited that they would aim to achieve consistent accounting within their wider diversified, consolidated groups and this proposed exemption would not enable them to do so as it will only apply to insurance operations, and not to the other operations in the wider (listed) groups. As the non-insurance operations would have to comply with IFRS 9 from the mandatory effective date they were of the view that inconsistent accounting treatments for similar instruments would not be sensible within a wider consolidated group.

Moreover, a majority of the preparers noted that they do not foresee the implementation of IFRS 9 to be problematic as they already apply fair value accounting and their insurance policies were generally not long-dated.

A minority of the preparers expressed sympathy with insurers that either do not currently apply fair value accounting or which have long-dated insurance policies. They noted that in those instances, the exemption from IFRS 9 would be sensible until insurance contracts project is effective as the mandatory enforcement prior to the implementation of the insurance contracts project could deliver confusing financial results in an already complex industry.

#546201