

This paper has been prepared by the EFRAG Secretariat for discussion at a public meeting of EFRAG TEG-CFSS. The paper forms part of an early stage of the development of a potential EFRAG position. Consequently, the paper does not represent the official views of EFRAG or any individual member of the EFRAG Board or EFRAG TEG-CFSS. The paper is made available to enable the public to follow the discussions in the meeting. Tentative decisions are made in public and reported in the EFRAG Update. EFRAG positions, as approved by the EFRAG Board, are published as comment letters, discussion or position papers, or in any other form considered appropriate in the circumstances.

IFRS 17 Insurance Contracts Cover Note and DEA workplan

Objective

- 1 The objective of this session is to:
 - (a) provide an overview of the feedback received by the IASB on the Exposure Draft *Amendments to IFRS 17* ('ED') (IASB document for ASAF); and
 - (b) inform EFRAG TEG-CFSS members on the workplan for preparing the Draft Endorsement Advice ('DEA') for IFRS 17 *Insurance Contracts*.

Agenda Papers

- 2 In addition to this cover note, the agenda paper for this session is Agenda paper 10-02 – IASB document regarding feedback on the Exposure Draft Amendments to IFRS 17.

Question for EFRAG TEG-CFSS

- 3 Does EFRAG TEG-CFSS have any comments on the IASB feedback on the ED or the workplan for the DEA? Please explain.

Workplan for DEA of IFRS 17

Monitoring of the key assumptions

- 4 As decided in the EFRAG Board meeting of October, the EFRAG Board will monitor the key assumptions to the project plan for the endorsement advice. The following text presents the assumptions agreed upon in October, updated to reflect the developments occurred in the last month.
- 5 At the date of this document, there are uncertainties with reference to some elements of the endorsement process, including the outcome of the IASB deliberation process following the consultation completed in September 2019. Accordingly, the working assumptions for a plan of activities developed at this stage are subject to change and the final activity plan may be significantly different from what could be discussed today.
- 6 The length of the endorsement process for a standard with the complexity of IFRS 17 is difficult to predict with precision. IFRS 9 was published by the IASB in July 2014 and endorsed in the EU in November 2016. The overall length of the process may be different from the IFRS 9 process and may be as well reduced. In addition, substantial activities have been already performed by EFRAG.
- 7 The assessment of implications of IFRS 17 on financial stability will benefit from the conclusions of relevant authorities, including the work produced by the EIOPA and of the taskforce on IFRS 17 established at the ESRB upon the request in the EP resolution.
- 8 Several working assumptions have to be made at this stage of the planning. The EFRAG project plan envisages to update the Board regularly in the coming months and to present more detailed planning as soon as feasible; accordingly each of this assumptions, together with the resulting planning, will be monitored and updated when needed.

IASB process

- (a) As also confirmed by the IASB staff papers for November 2019, we expect that the IASB will finalise any resulting amendments from the re-deliberations mid-2020 (the IASB will continue the re-deliberations from December 2019 to February 2020);
- (b) We assume that there will be clarity on the outcome of the IASB deliberations and their impact on the contents of the final Standard by March 2020;
- (c) We assume that the IASB will issue a separate due process document for the amendments to IFRS 4 *Insurance Contracts* relating to the optional deferral of IFRS 9.

Scope of work and timing of EFRAG activity

- (d) The EFRAG Secretariat will focus until the end of 2019 on the results of the Hedge Accounting questionnaire, including interactions with IFRS 9;
- (e) The EFRAG Secretariat will update the existing preparatory material that will contribute to populate the Appendices of the Endorsement Advice to reflect the outcome of the IASB deliberations once the deliberation outcome will be sufficiently clear;
- (f) Selected outreach with preparers, questionnaires to members of the EFRAG IAWG and possible public surveys on specific issues may be envisaged, including to update specific information that may result outdated considering the impacts of the Amendments; however the EFRAG Secretariat will not repeat the case-study exercise. Similarly, specific updates of the economic study may be envisaged, if appropriate;

- (g) We assume at this stage that there will be no new issues, nor new requests by relevant stakeholders, in addition to the topics in the letter by the EC and in the EP Motion.

Target timeline

- (h) We expect that the endorsement activities for the separate document dealing with the deferral of IFRS 9 will have to follow a fast-track procedure in order for the deferral to be available for entities before 1 January 2021. The preparatory activities for the endorsement of the deferral of IFRS 9 will be performed having March 2020 as targeted date for discussion of the DEA at EFRAG TEG;
- (i) Consistent with the recommendation included in the final comment letter issued on 24 September 2019, the plan will assume that the effective date will be 1 January 2023. In order to allow entities to be able to voluntarily early apply in January 2022, the endorsement process will have to be completed by the end of 2021;
- (j) Assuming that the IFRS 17 final standard is issued no later than August 2020, the timing left to the end of 2021 to complete the whole process would be a maximum of 16 Months. At this stage it is difficult to assess if a shorter process could be feasible.

Planning of discussion

Activity	Nov. 2019	Dec. 2019	Jan. 2020	Feb. 2020	March 2020	April 2020
IAWG	21 November	12 December	23 January	20 February	19 March	14 April
TEG		5 December	29-30 January		4-5 March 26 March	16 April
Board		18 December	14 January		17 March	21 April

Activity	May 2020	June 2020	July 2020
IAWG	14 May	25 June	7 July
TEG	6-7 May	3-4 June	2 July 8 July
Board		16 June	16 July 28 July
Joint TEG/Board	26 May		

Appendix 1: detailed explanation of required updates

List of topics for discussion – green

Solvency II:

- A comparison between elements of IFRS 17 and Solvency II has been developed and will be further enhanced. Input will be requested from advisory matter experts and EIOPA.

Decision document (DD):

- Both on the economic study and the user outreach a document will be submitted to the EFRAG Board for discussion indicating the reasons why there is no further update needed.
- A document will be submitted to the EFRAG Board for discussion to support a limited update of the case study which will focus on (i) total implementation costs, (ii) qualitative or if possible quantitative information about how the Amendments to IFRS 17 affect the cost-benefit analysis and the extent to which the Amendments to IFRS 17 have reduced concerns raised with respect to IFRS 17 as issued:
 - Insurance acquisition cash flows;
 - Contractual service margin attributable to investment-return service and investment related service;
 - Reinsurance contracts held – recovery of losses on underlying insurance contracts;
 - Applicability of the risk mitigation option; and
 - Transition modification and reliefs.

List of topics for discussion – yellow

Appendix 2

- Appendix 2 needs to be rewritten to adapt for the Amendments to IFRS 17. This update will exclude the topic of cohorts (which is tackled as one of the last topics).
- No additional outreach with third parties is required.

Appendix 3

- Appendix 3 needs to be rewritten to adapt for the Amendments to IFRS 17. This update will exclude the topic of cohorts (which will be tackled only once the IASB decisions will be known for this topics).
- No additional outreach with third parties is required to prepare Appendix 3 except where mentioned elsewhere in this document (Solvency II; SME's / small insurers; mutuals; limited update of the case study; hedge accounting/interactions with IFRS 9).

Mutuals

- In order to measure the impact on mutuals first the extent of the population of mutual entities in Europe will be estimated. Their current use of IFRS will be charted and finally an assessment is to be made on how IFRS 17 will influence their current IFRS use.

Hedge accounting, interactions with IFRS 9 and long-term investments

- The results of the hedge accounting questionnaire will be discussed at EFRAG IAWG of 21 November 2019. Based on the results of that discussion and after incorporating inputs by EFRAG TEG, the resulting technical assessment will be proposed to the EFRAG Board.

- At the same meeting, a summary of EFRAG's work on the ongoing research on long-term investments in equity instruments (request of an Advice by the European Commission) will be provided that can be integrated in the endorsement advice.

SME's / small insurers

- In order to assess the impact on SME's that are insurers / small insurers, first the number of SME's / small insurers needs to be estimated. EFRAG CFSS members will be asked in helping to identify that population. A particular definition of small insurers will be used that is different than the official SME-definition as the latter is deemed not appropriate. For example, the criterion "turnover" is not representative of the business of insurers.
- Also Insurance Europe will be asked to help identify the number of SME's that are insurers / small insurers.
- As a third source, the EFRAG Secretariat will search through the Thomson Reuters database in identifying the affected population.
- Based on gathered data, prepare a targeted request for learning the impacts on SMEs / small insurers.

IFRS 15

- Appendix 3 will include an assessment of contracts that can be accounted for either in accordance with IFRS 17 or IFRS 15 and whether the split between the two standards is appropriate.

Auditability of the Standard

- The audit profession will be asked to assess the auditability of IFRS 17 including the Amendments as an input to the endorsement process.

List of topics for discussion – red

Appendix 2

- Appendix 2 needs to be rewritten to adapt for the Amendments to IFRS 17. In this phase all topics that relate to cohorts are updated.

Appendix 3

- Appendix 3 needs to be rewritten to adapt for the Amendments to IFRS 17. In this phase all topics that relate to cohorts are updated.