

IFRS 17 Insurance Contracts

Update on IASB tentative decisions

Objective

- 1 The objective of this session is for EFRAG TEG to be informed of the latest IASB tentative decisions.
- 2 In April 2020, the IASB received an oral update. The IASB update for April only states that the IASB received an update on the status of its activities to support implementation of IFRS 17 and it was not asked to make any decisions. Therefore, the below provides more insights on the oral update.
- 3 In addition, in its May 2020 meeting, the IASB discussed the following sweep issues (Refer to agenda paper 10-05B):
 - (a) pre-recognition cash flows other than insurance acquisition cash flows;
 - (b) reinsurance contracts held—identifying losses on underlying insurance contracts;
 - (c) insurance revenue - income tax;
 - (d) definitions of the liability for remaining coverage and the liability for incurred claims; and
 - (e) variable fee approach - together the OCI option and the risk mitigation option.

April 2020 IASB Summary¹

- 4 *In this meeting the staff provided the Board with an oral update on the progress of the balloting process of the amendments to IFRS 17 and on other activities to support the implementation of IFRS 17. The Board confirmed that the amendments are very urgent and the amendments are currently expected to be finalised at the end of June 2020. The pre-ballot draft has been provided to Board members and external reviewers, and the staff is currently analysing the comments received. Any sweep issues arising from those comments will be brought to the Board in the May 2020 IASB meeting.*
- 5 *The staff have also uploaded educational material on the IASB website based on the meetings of the Transition Resource Group (TRG). The material is based on the version of IFRS 17 that was originally issued, however the material will still be helpful even after the amendments have been issued. At that point, a new webcast will be added that explains the changes that have been introduced by the amendments.*
- 6 *The staff also advised the Board that although there are no further TRG meetings scheduled, it is available for consultation by the Board.*
- 7 *One Board member supported the strategy for the educational material and highlighted that constituents should be exercising care when they use guidance that is affected by the amendments. An example is the guidance on mutuals where even after the amendments the guidance remains useful and substantially correct. However, there will be a clarification to the Basis for Conclusions as part of the*

¹ [Taken from IAS Plus](#)

amendments that may impact on whether the guidance is still relevant for particular entities.

Summary of May EFRAG IAWG discussions

- 8 One member stated that the IASB staff recommendations to the five sweep issues were ok. They were looking into the sweep issue on reinsurance contracts held – identifying losses on underlying insurance contracts. The recommendation is pragmatic on day one, but he was not sure for day two.

May 2020 IASB tentative decisions²

- 9 *The Board tentatively decided to:*
- (a) *require an entity to include in the initial measurement of the contractual service margin of a group of insurance contracts the effect of the derecognition of any asset or liability for cash flows related to that group that was recognised before the group is recognised;*
 - (b) *require an entity, when another IFRS Standard requires it to recognise a liability for future insurance acquisition cash flows before it recognises the related group of insurance contracts, to also recognise an asset for those cash flows;*
 - (c) *require an entity to use a systematic and rational method of allocation to apply the requirements in IFRS 17 relating to the recovery of losses from reinsurance contracts held when the entity groups together underlying onerous insurance contracts that are covered by a reinsurance contract held and other onerous insurance contracts the entity issues;*
 - (d) *require an entity to recognise insurance revenue when the entity recognises in profit or loss amounts related to income tax that are specifically chargeable to the policyholder under the terms of an insurance contract;*
 - (e) *include in the definitions of the liability for remaining coverage and the liability for incurred claims all obligations arising from insurance contracts issued by an entity; and*
 - (f) *amend paragraph B96(c) of IFRS 17 to clarify the treatment of insurance finance income or expenses relating to investment components that are paid in a period when they were not expected to be paid, or not paid in a period when they were expected to be paid.*

All 14 Board members agreed with the decisions described in (a)–(b) and (d)–(e). Twelve of 14 Board members agreed with the decision described in (c).

- 10 *The Board also tentatively decided to amend the other comprehensive income option and the risk mitigation option in IFRS 17 to:*
- (a) *specify that paragraphs 88 and 89 of IFRS 17 do not apply to the insurance finance income or expenses that arise from the application of the risk mitigation option; and*
 - (b) *add new requirements to the risk mitigation option that specify how to present insurance finance income or expenses that arise from the application of the risk mitigation option.*

All 14 Board members agreed with these decisions.

² Based on the IASB Update May 2020

Agenda papers

- 11 In addition to this paper, agenda paper 04-02 – *IASB staff paper 2: Sweep issues* – has been provided for the session.