

STAFF PAPER

March 2020

IASB[®] meeting

Project	Amendments to IFRS 17		
Paper topic	Cover note		
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Introduction

1. This cover note provides:
 - (a) background information about the tentative decisions made by the International Accounting Standards Board (Board) at its recent meetings about amendments to IFRS 17 *Insurance Contracts*;
 - (b) an overview of the papers for this meeting, including a summary of staff recommendations;
 - (c) an outline of next steps; and
 - (d) an appendix listing the topics for which the Board tentatively decided to amend IFRS 17.

Background

2. At its October and November 2019 meetings, the Board discussed the feedback from outreach and comment letters on the Exposure Draft *Amendments to IFRS 17*.

3. In the light of that feedback, at its November 2019 meeting, the Board decided on its plan for redeliberating some of the matters raised by respondents on the Exposure Draft. The Board tentatively decided:
 - (a) the proposed amendments the Board would confirm at a future meeting without substantive redeliberation;
 - (b) the topics for which the Board would consider further the feedback from respondents; and
 - (c) the topics for which the Board would not consider further the feedback from respondents.

4. The Board noted that its tentative decision about the topics that it would not consider further should reduce uncertainty about any possible additional amendments to IFRS 17 and, therefore, limit disruption to implementation processes under way.

5. IFRS 17 is urgently needed to address many inadequacies in the wide range of insurance accounting practice used in applying IFRS 4 *Insurance Contracts* and significant implementation activities are under way. Accordingly, the Board decided that, in considering further the feedback from respondents, the Board would apply the same criteria that it applied when developing the Exposure Draft. The Board decided that any amendments to IFRS 17 must not:
 - (a) change the fundamental principles of the Standard because that would result in a significant loss of useful information for users of financial statements relative to that which would otherwise result from applying IFRS 17;
 - (b) unduly disrupt implementation already under way; or
 - (c) risk undue delays in the effective date of IFRS 17.

6. Following the plan for redeliberating some of the matters raised by respondents on the Exposure Draft, at its meetings from December 2019 to February 2020, the Board:
 - (a) tentatively decided to finalise six amendments as proposed in the Exposure Draft;
 - (b) considered further the feedback from respondents and concluded to retain, unchanged, the requirements in IFRS 17 for the following topics:

- (i) transition—the prohibition from applying the risk mitigation option retrospectively;
 - (ii) business combinations—contracts acquired in their settlement period; and
 - (iii) level of aggregation—annual cohorts for some insurance contracts with intergenerational sharing of risks between policyholders.
- (c) considered further the feedback from respondents and tentatively decided to make some changes to the proposals in the Exposure Draft for the following topics:
- (i) expected recovery of insurance acquisition cash flows, including the requirements for an asset for insurance acquisition cash flows at transition and for contracts acquired;
 - (ii) reinsurance contracts held—recovery of losses;
 - (iii) scope exclusion for credit cards;
 - (iv) interim financial statements;
 - (v) contractual service margin attributable to investment services—coverage units for insurance contracts without direct participation features, disclosures and terminology;
 - (vi) applicability of the risk mitigation option—non-derivative financial instruments at fair value through profit or loss;
 - (vii) minor amendments; and
 - (viii) additional specific transition modifications and reliefs.

7. The Board also noted that a small number of respondents included new concerns and implementation questions in their comment letters on the Exposure Draft. The Board considered the staff analysis of those new concerns and implementation questions at its February 2020 meeting. At that meeting, the Board tentatively decided to amend IFRS 17 to resolve an inconsistency in the requirements relating to income tax

payments and receipts that are specifically chargeable to the policyholder under the terms of an insurance contract.

Papers for this meeting and summary of the staff recommendations

8. The papers for this meeting provide an analysis of the following topics:
 - (a) effective date of IFRS 17 and temporary exemption from applying IFRS 9 *Financial Instruments* in IFRS 4—see Agenda Paper 2A *Effective date of IFRS 17 and IFRS 9 temporary exemption in IFRS 4*;
 - (b) due process steps and permission for balloting—see Agenda Paper 2B *Due process steps and permission for balloting*; and
 - (c) overview of the amendments to IFRS 17—see Agenda Paper 2C *Overview of the amendments to IFRS 17*.
9. The following paragraphs summarise the staff recommendations in these papers.

Effective date of IFRS 17 and IFRS 9 temporary exemption in IFRS 4 (Agenda Paper 2A)

10. In Agenda Paper 2A the staff recommend the Board:
 - (a) defer the effective date of IFRS 17 (incorporating the amendments) to annual reporting periods beginning on or after 1 January 2023; and
 - (b) extend the fixed expiry date of the temporary exemption from applying IFRS 9 in IFRS 4 to annual reporting periods beginning on or after 1 January 2023.

Due process steps and permission for balloting (Agenda Paper 2B)

11. In Agenda Paper 2B the staff request permission to start the balloting process of the *Amendments to IFRS 17* if the Board is satisfied that it:
 - (a) has been provided with sufficient analysis; and
 - (b) has undertaken appropriate consultation and due process to support issuing the amendments.

12. The staff recommend that the amendment to IFRS 4—reflecting the extension of the fixed expiry date for the temporary exemption from applying IFRS 9—is balloted separately from the *Amendments to IFRS 17* (including consequential amendments to other IFRS Standards).

Overview of the amendments to IFRS 17 (Agenda Paper 2C)

13. Agenda Paper 2C is provided to assist the Board in considering Agenda Paper 2B. Consequently, Agenda Paper 2C does not provide any staff recommendations and does not include any questions for Board members.

Next steps

14. After its March 2020 meeting, the Board will have completed its planned redeliberations of the feedback on the Exposure Draft. If the Board gives permission to start the balloting process at this meeting, the staff plan to draft the amendments to IFRS 17 and bring any sweep issues identified during the balloting of the amendments for discussion at a future meeting.
15. The staff expect that the amendments will be issued in the second quarter of 2020, in line with the Board’s plan as stated in the Exposure Draft.

Appendix A—List of topics for which the Board has tentatively decided to amend IFRS 17

Topic	Board's tentative decision		
	Confirm amendment as proposed in the ED	Confirm proposed amendment with some changes	Amendment not proposed in the ED
1A—Scope exclusion for credit card contracts and other similar contracts that provide credit or payment arrangements that meet the definition of an insurance contract		January 2020	
1B—Scope exclusion for loan contracts that meet the definition of an insurance contract	December 2019		
2—Expected recovery of insurance acquisition cash flows		December 2019, January 2020	
3—Contractual service margin attributable to investment-return service and investment-related service		December 2019, February 2020	
4—Reinsurance contracts held—recovery of losses on underlying insurance contracts		December 2019	
5—Presentation in the statement of financial position	December 2019		
6A—Applicability of the risk mitigation option—reinsurance contracts held	December 2019		
6B—Applicability of the risk mitigation option—non-derivative financial instruments at fair value through profit or loss			February 2020
7—Accounting policy choice relating to interim financial statements			January 2020
8A—Effective date of IFRS 17	Decision to be made at this meeting		
8B—IFRS 9 temporary exemption in IFRS 4	Decision to be made at this meeting		
9A—Transition relief for contracts acquired	December 2019		
9B—Transition relief for risk mitigation option—the application from the transition date	December 2019		
9C—Transition relief for risk mitigation option—the option to apply the fair value approach	December 2019		

Topic	Board's tentative decision		
	Confirm amendment as proposed in the ED	Confirm proposed amendment with some changes	Amendment not proposed in the ED
9D—Transition relief for investment contracts with discretionary participation features			February 2020
9E—Transition relief for identifying the date a reinsurance contract held was acquired			February 2020
9F—Transition relief relating to interim financial statements			February 2020
10—Minor amendments		February 2020	