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IFRS 17 *Insurance Contracts* Project Update

Objective

- 1 To provide an update on developments in possible amendments to IFRS 17 *Insurance Contracts*, including the work of the IASB, since the EFRAG Board meeting of 3 September 2018.

Background

- 2 Following the EFRAG Board meeting on 3 September, the President of the EFRAG Board wrote to the Chairman of the IASB raising six issues that, in the view of EFRAG, merited further information. The letter can be found [here](#).
- 3 Subsequently, at its meeting in October 2018, the IASB considered a paper that identified the main concerns and implementation challenges that have been raised by stakeholders. The list of 25 items included the issues identified by EFRAG as meriting further consideration. The paper considered by the IASB can be found [here](#).
- 4 In considering the main concerns and implementation challenges, the IASB decided to consider at a future meeting whether any of these concerns and implementation challenges indicated a need to amend IFRS 17.
- 5 The IASB tentatively decided that, in addition to demonstrating a need for an amendment to IFRS 17, the IASB staff must show that any proposal meets the following criteria:
 - (a) the amendments would not result in significant loss of useful information relative to that which would otherwise be provided by IFRS 17 for users of financial statements—any amendments would avoid:
 - (i) reducing the relevance and faithful representation of information in the financial statements of entities applying IFRS 17;
 - (ii) causing reduced comparability or introducing internal inconsistency in IFRS Standards, including within IFRS 17; or
 - (iii) increasing complexity for users of financial statements, thus reducing understandability.
 - (b) the amendments would not unduly disrupt implementation already under way or risk undue delays in the effective date of IFRS 17, which is needed to address many inadequacies in the existing wide range of insurance accounting practices.
- 6 At its meeting in November 2018, the IASB will consider a paper ([here](#)) that asks:
 - (a) given the IASB plans to consider whether to explore amendments to IFRS 17, and in the light of the criteria for assessing any such potential amendment, whether the mandatory effective date of IFRS 17 should be deferred by one

year, so that entities will be required to apply IFRS 17 for annual periods beginning on or after 1 January 2022; and

- (b) if the IASB were to defer the mandatory effective date of IFRS 17 by one year, whether the fixed expiry date for the temporary exemption to IFRS 9 in IFRS 4 should be amended so that all entities must apply IFRS 9 for annual periods beginning on or after 1 January 2022.
- 7 The IASB meeting will be held before the EFRAG Board meeting, and an update on any decisions made by the IASB will be provided at the EFRAG Board meeting.
 - 8 In addition to the developments at the IASB, the CFO Forum sent a letter to the President of the EFRAG Board and the Chairman of the IASB on 17 October 2018. This letter proposes solutions to most of the issues raised by the CFO Forum at the meeting of the EFRAG Board on 3 July 2018. The letter can be found [here](#).
 - 9 Various other IFRS 17-related correspondence to which EFRAG has been party has been shared with the EFRAG Board since 3 September.

Recent developments

- 10 At the Accounting Standards Advisory Forum (ASAF) meeting on 6-7 December 2018, ASAF members will be asked for suggestions on how the IASB could address a range of topics in a way that meets the criteria in paragraph 5 above. The paper can be found [here](#).
- 11 A comparison between the topics being raised at that meeting and the issues identified by the EFRAG as meriting further consideration are listed below.

Issues identified by EFRAG	Issues to be considered by ASAF
Acquisition costs (for costs incurred in expectation of contract renewals)	Acquisition cash flows for renewals outside the contract boundary
CSM amortisation (impact on contracts that include investment services)	Contractual service margin: coverage units in the general model
Reinsurance (onerous underlying contracts that are profitable after reinsurance, contract boundary for reinsurance contracts where underlying contracts are not yet issued)	Reinsurance contracts held: initial recognition when underlying insurance contracts are onerous
Transition (extent of relief offered by modified retrospective approach and challenges in applying fair value approach)	Transition – Modified retrospective approach: further modifications
Annual cohorts (cost-benefit trade-off, including for VFA contracts)	
Balance sheet presentation (cost-benefit trade-off of separate disclosure of groups in an asset position and groups in a liability position and nonseparation of receivables and/or payables)	Separate presentation of groups of assets and groups of liabilities
	Scope of IFRS 17: loans and other forms of credit that transfer insurance risk

Question for the EFRAG Board

12 Does the EFRAG Board have any comments on this update?