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IFRS 17 Insurance Contracts – Towards a DEA Cover Note

Objective

- 1 The objective of this session is to:
 - (a) discuss an updated draft of Appendix I and Appendix II of the draft endorsement advice for IFRS 17 *Insurance Contracts*; and
 - (b) highlight the comments received from EFRAG IAWG on 7 September 2017 with regards to Appendix I and Appendix II for the draft endorsement advice.
- 2 Taking into account the timing available for the session, the EFRAG Secretariat proposes to focus the discussion on the specific questions raised (see paragraph 7 below) and any substantive issues that EFRAG TEG members want to raise.
- 3 The EFRAG Secretariat kindly asks EFRAG TEG members to submit any editorial comments via email to Didier.andries@efrag.org.

Background

- 4 The IASB published IFRS 17 on 18 May 2017. As part of its preparation for the future endorsement advice, the EFRAG Secretariat has prepared a draft of Appendix I which includes a summary of the standard, as well as Appendix II which considers IFRS 17 against the endorsement criteria of relevance, reliability, understandability, comparability and prudence.
- 5 An overview of the topics assessed against the endorsement criteria in Appendix II can be found below:

Topic	Relevance	Reliability	Comparability	Understandability	Prudence
Measurement of insurance contracts	X	X	X		X
Different insurance accounting models	X		X		
Level of aggregation	X				X
Risk mitigation	X	X			
Sharing of risks	X				
Performance of the insurance business	X	X	X		X
Presentation on the statement of financial position	X			X	
Disclosures	X			X	
Transition requirements	X	X	X		

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Topic	Relevance	Reliability	Comparability	Understandability	Prudence
Discount rates		X			
Separating components from an insurance contract			X		
Accounting policy options			X		
Remaining accounting mismatches				X	
Reinsurance contracts held: existence of accounting mismatches				X	
Recognition of liabilities arising from insurance contracts					X

- 6 At its meeting on 26 July 2017, EFRAG TEG members discussed Appendix I and Appendix II and made some recommendations that are incorporated in the accompanying appendices. The updated appendices also incorporate the inputs received from EFRAG IAWG during its meeting on 18 July and 7 September 2017.

Specific questions to EFRAG TEG

- 7 In order to complete the assessments in Appendix II, the EFRAG Secretariat asks a number of questions in paper 03-03 to EFRAG TEG on the following topics:

Topic	Appendix II, paragraph reference
Scope of the approach for contracts with direct participation features	Paragraph 32
Release pattern of the contractual service margin	Paragraph 85
Determination of quantity of benefits in order to identify coverage units	Paragraph 91

General question to EFRAG TEG

Question for EFRAG TEG

- 8 Do EFRAG TEG members have any comments with respect to completeness and appropriateness of the topics addressed in Appendix I and II?

Agenda Papers

- 9 In addition to this cover note, agenda papers for this session are:
- (a) Agenda paper 03-02 – *IFRS 17 - Towards a DEA - Appendix I*;
 - (b) Agenda paper 03-03 – *IFRS 17 - Towards a DEA - Appendix II*; and
 - (c) Agenda paper 03-04 – *IFRS 17 - Input received from September EFRAG IAWG meeting* (for background only).