# Caveats to IFRS 17 webcasts

The webcasts relating to the activities to support implementation of the Standard have been developed in the context of IFRS 17 as issued in May 2017. IFRS 17 was amended in June 2020. The webcasts relating to the amendments to IFRS 17 provide information to supplement the information in the webcasts developed in the context of IFRS 17 as issued in May 2017.
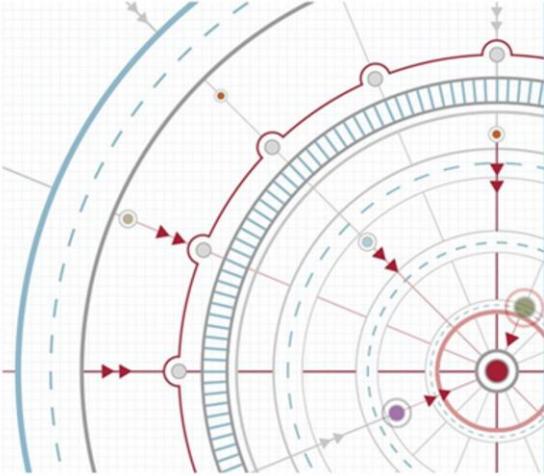
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IFRS® Foundation

IFRS 17
Insurance contracts

Transition to IFRS 17
Part 1 of 2: overview

IFRS

Today's topics

- Applying IFRS 17 for the first time
- Fully retrospective approach
- When fully retrospective application is impracticable*
- Other reliefs and disclosures

* For more detail see webcast *Transition to IFRS 17 Part 2 of 2: transition reliefs deep dive*

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Further information:
Webcast *Transition to IFRS 17 Part 2 of 2* at go.ifrs.org/IFRS-17-implementation
and IFRS 17 YouTube playlist
https://www.youtube.com/playlist?list=PLrLeeuMbuaUeLNX7Qoqlq7Oh3csegFwYn

IFRS 17 webcasts

This webcast	
December 2017	Transition to IFRS 17

Previous webcasts	
May 2017	Introducing IFRS 17
May 2017	Understanding IFRS 17
June 2017	Core requirements: scope of IFRS 17
July 2017	Core requirements: measurement essentials of IFRS 17
August 2017	Simplified accounting for contracts with short coverage periods
September 2017	Reinsurance contracts held
November 2017	Core requirements: Recognition and derecognition

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Further information:
go.ifrs.org/IFRS-17-implementation and
IFRS 17 webcasts YouTube playlist:
https://www.youtube.com/playlist?list=PLrLeeuMbuaUeLNX7Qoqlq7Oh3csegFwYn
IFRS 17 Effects Analysis available at http://www.ifrs.org/-/media/project/insurance-contracts/ifrs-standard/ifrs-17-effects-analysis.pdf
IFRS 17 Project Summary available at http://www.ifrs.org/-/media/project/insurance-contracts/ifrs-standard/ifrs-17-project-summary.pdf
IFRS 17 Feedback Statement available at http://www.ifrs.org/-/media/project/insurance-contracts/ifrs-standard/ifrs-17-feedback-statement.pdf

Reminder of IFRS 17 effective date

- Required for annual reporting periods commencing on or after 1 January 2021 with prior comparatives for one year

- Early application is permitted for entities that also apply IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers*
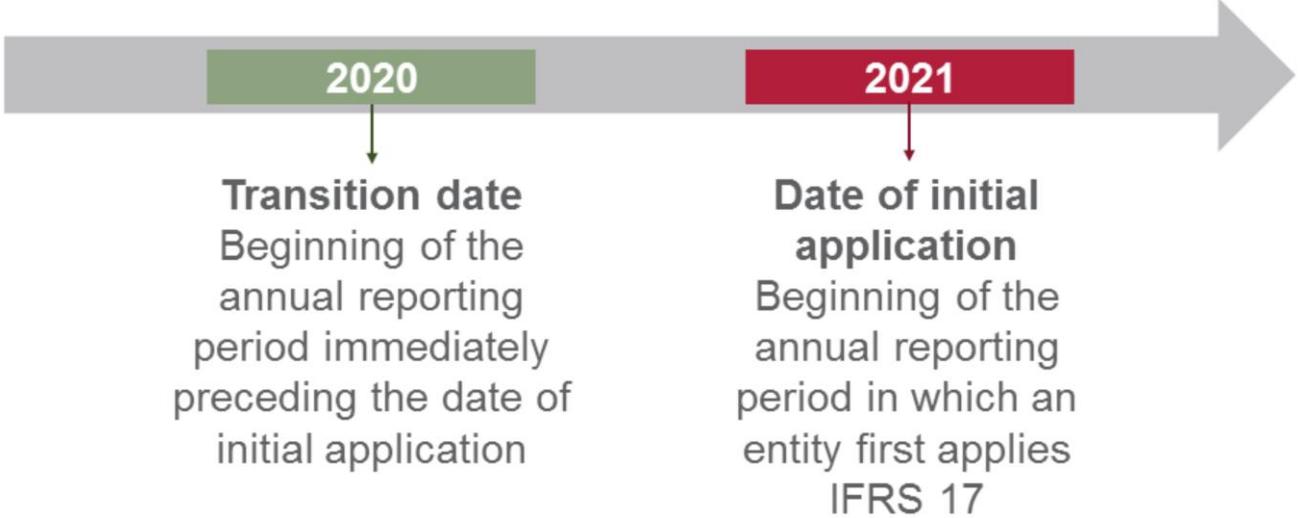
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Further information:
IFRS 17 paragraphs C1–C2
Basis for Conclusions for IFRS 17 BC402–BC406

Mandatory dates: Example

5

2020 — **Transition date** Beginning of the annual reporting period immediately preceding the date of initial application

2021 — **Date of initial application** Beginning of the annual reporting period in which an entity first applies IFRS 17
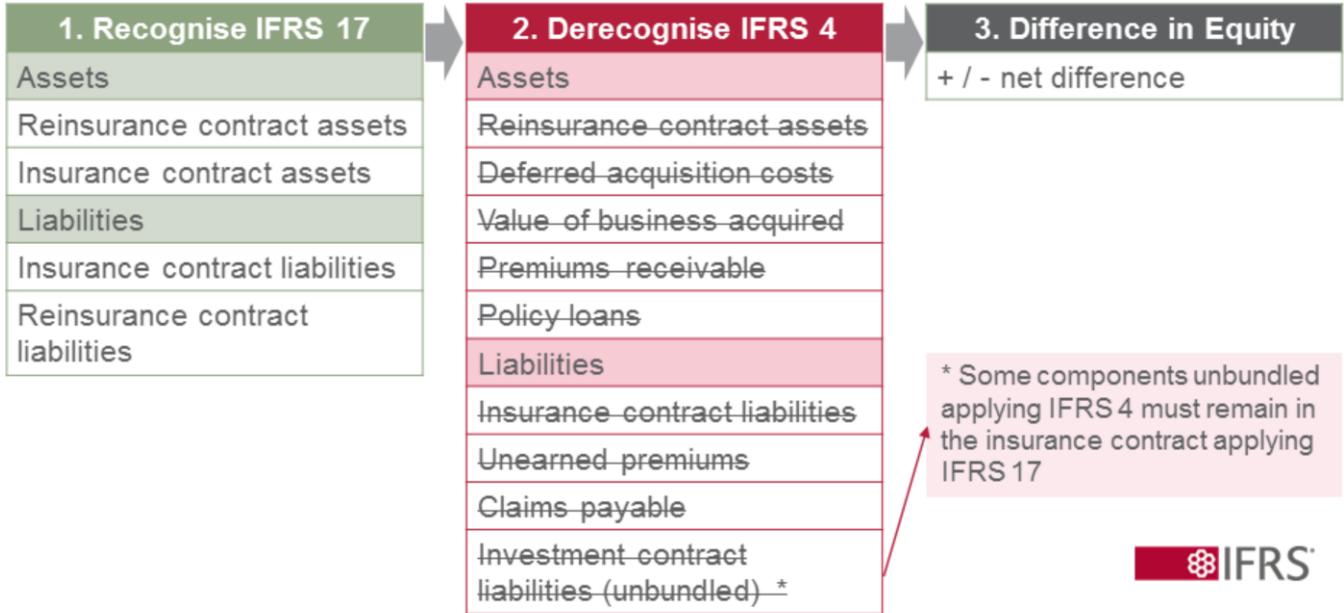
Assumption: the entity presents only one comparative period in its annual financial statements

Further information:
IFRS 17 paragraph C2
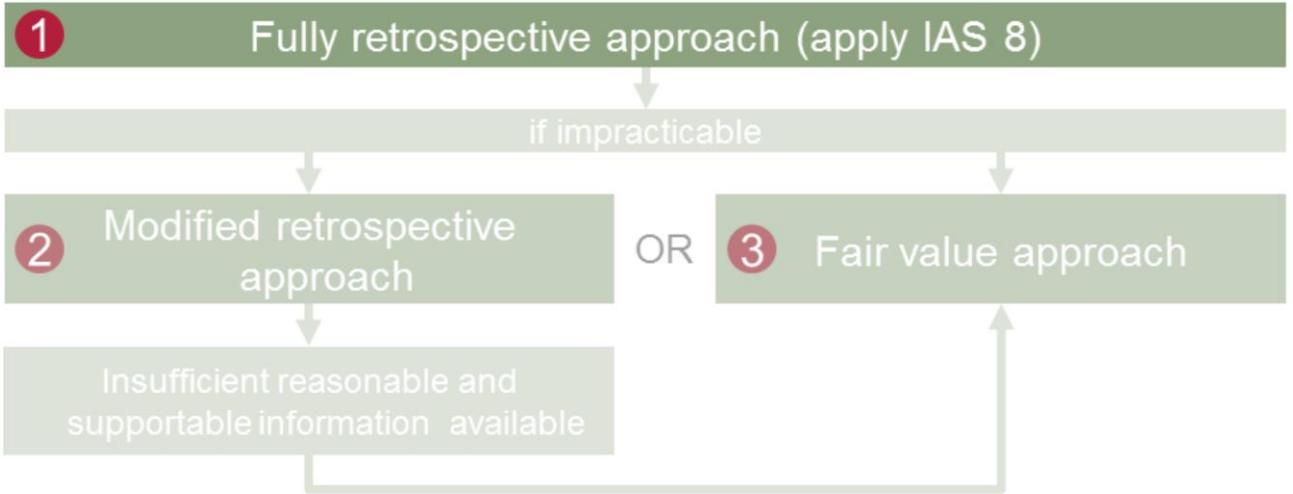
At the transition date

1. Recognise IFRS 17	2. Derecognise IFRS 4	3. Difference in Equity
Assets	**Assets**	+ / - net difference
Reinsurance contract assets	~~Reinsurance contract assets~~	
Insurance contract assets	~~Deferred acquisition costs~~	
Liabilities	~~Value of business acquired~~	
Insurance contract liabilities	~~Premiums receivable~~	
Reinsurance contract liabilities	~~Policy loans~~	
	Liabilities	
	~~Insurance contract liabilities~~	
	~~Unearned premiums~~	
	~~Claims payable~~	
	~~Investment contract liabilities (unbundled)~~ *	

* Some components unbundled applying IFRS 4 must remain in the insurance contract applying IFRS 17

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Further information
IFRS 17 paragraph C4
Basis for Conclusions of IFRS 17 BC374

Further information:
IFRS 17 paragraph C4
IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* paragraphs 5 and 23

❶ Fully retrospective approach

- Measures in-force contracts on the transition date as if an entity had always applied IFRS 17
- Consistent with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*

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Further information:
IFRS 17 paragraph C3
Basis for Conclusions for IFRS 17 paragraph BC372
IAS 8 paragraphs 5 and 23
IFRS 17 Effects Analysis page 70

❶ Applying IFRS 17 at the transition date

- Transition to IFRS 17 requires the use of both current and past information about contracts in-force at the transition date

Current information	Past information

- Fulfilment cash flows
   − Estimated PV of future cash flows
   − Risk adjustment
	1.1 Initial assessments (eg grouping)
	1.2 Contractual service margin (CSM) or loss component at transition date
	1.3 Applying the OCI option*

* When an entity chooses to disaggregate insurance finance income or expenses between profit or loss and other comprehensive income (OCI)

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Further information:
IFRS 17 paragraphs 14–39 and 87–92
Basis for Conclusions for IFRS 17 paragraphs BC375–BC378
Webcast *IFRS 17 Measurement essentials* at go.ifrs.org/IFRS-17-implementation
and IFRS 17 YouTube playlist
https://www.youtube.com/playlist?list=PLrLeeuMbuaUeLNX7Qoqlq7Oh3csegFwYn

Further information:
IFRS 17 paragraphs 32–39 and B36–B95
Webcast *IFRS 17 Core requirements: Recognition and derecognition* at
go.ifrs.org/IFRS-17-implementation and IFRS 17 YouTube playlist
https://www.youtube.com/playlist?list=PLrLeeuMbuaUeLNX7Qoqlq7Oh3csegFwYn

1.2 CSM at transition date

Further information:
IFRS 17 paragraph 44 and paragraphs B96–B100
Webcast *IFRS 17 Measurement essentials* at go.ifrs.org/IFRS-17-implementation
and IFRS 17 YouTube playlist
https://www.youtube.com/playlist?list=PLrLeeuMbuaUeLNX7Qoqlq7Oh3csegFwYn

1.3 Applying OCI option

- Total insurance finance expenses
  (carrying amount based on *current information* for fulfilment cash flows):

  - in profit or loss: systematic allocation of total insurance finance expenses
    (using *past information*)

  - in OCI: the remaining balance

Statement of financial performance	
Insurance revenue	X
Insurance service expenses	(X)
Insurance service result	**X**
Investment income	X
Insurance finance income or expenses	(X)
Net financial result	**X**
Profit or loss	**X**
Other comprehensive income:	
Insurance finance income or expenses	(X)
Fair value movements on FVOCI assets	X
Total comprehensive income	**X**

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Further information:
IFRS 17 paragraphs 87–92 and B128–B136

When retrospective application is ① impracticable

- Retrospective application required unless it is impracticable as defined within IAS 8
  - For example, historical data for contracts issued many years ago is not available and/or would require the use of hindsight

Past information

1.1 Initial assessments (eg grouping)

1.2 Contractual service margin (CSM) or loss component at transition date

1.3 Applying the OCI option

Normal IFRS 17 measurement (retrospective application)

Impracticable

Transition reliefs

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Further information:
IFRS 17 paragraphs 14–39 and 87–92
Basis for Conclusions for IFRS 17 paragraphs BC375–BC378
Webcast *IFRS 17 Measurement essentials* at go.ifrs.org/IFRS-17-implementation
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https://www.youtube.com/playlist?list=PLrLeeuMbuaUeLNX7Qoqlq7Oh3csegFwYn
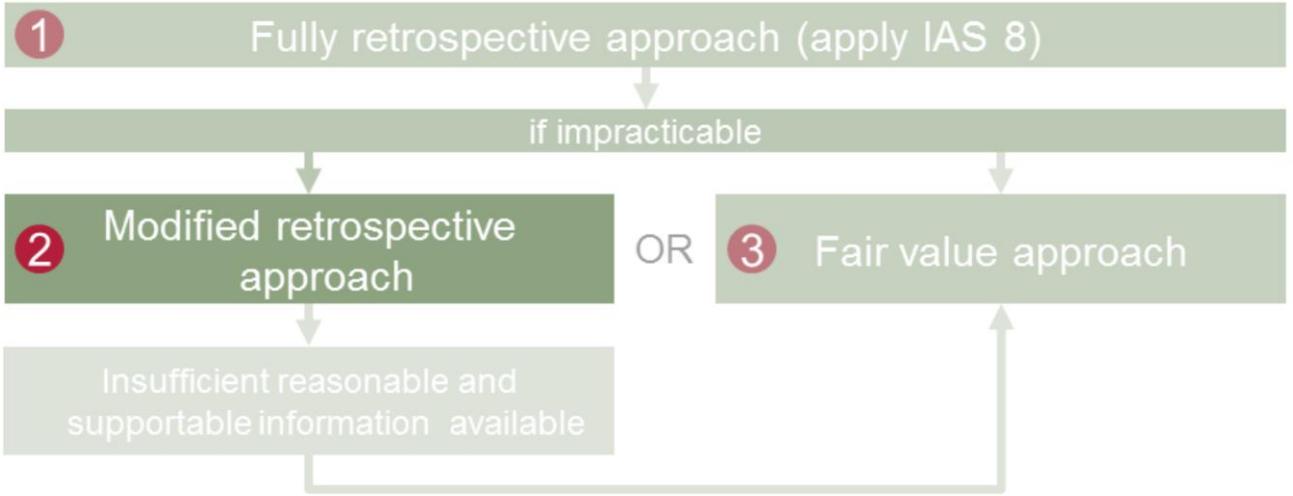
Further information:
IFRS 17 paragraph C5(a)
IAS 8 paragraphs 5 and 23

❷ Modified retrospective approach

Objective: to achieve the closest outcome to retrospective application possible using reasonable and supportable information available without undue cost or effort

Use reasonable and supportable information

Maximise the use of information that would have been used to apply the fully retrospective approach, but need only use information available without undue cost or effort

An entity is permitted to use each modification only to the extent that the entity does not have reasonable and supportable information to apply a retrospective approach

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Further information:
IFRS 17 paragraphs C6 and C8
Basis for Conclusions for IFRS 17 paragraphs BC373 and BC379

❷ Modifications permitted

a) Initial assessments

b) Contractual service margin or loss component at the transition date without direct participation features

c) Contractual service margin or loss component at the transition date with direct participation features

d) Applying OCI option

> For more detail see webcast *Transition to IFRS 17 Part 2 of 2: transition reliefs deep dive*

❀IFRS

Further information:
IFRS 17 paragraphs C7–C8
Basis for Conclusions for IFRS 17 paragraph BC380
Webcast *Transition to IFRS 17 Part 2 of 2* at go.ifrs.org/IFRS-17-implementation
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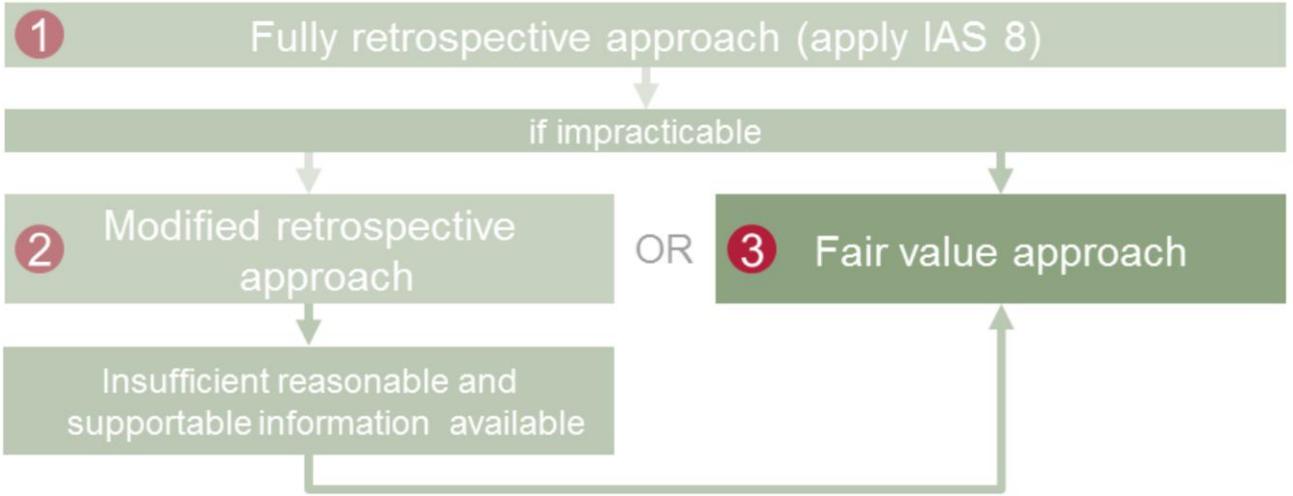
Further information:
IFRS 17 paragraph C5(b)
Basis for Conclusions for IFRS 17 paragraphs BC373 and BC385–BC386

Further information:
IFRS 17 paragraph C20
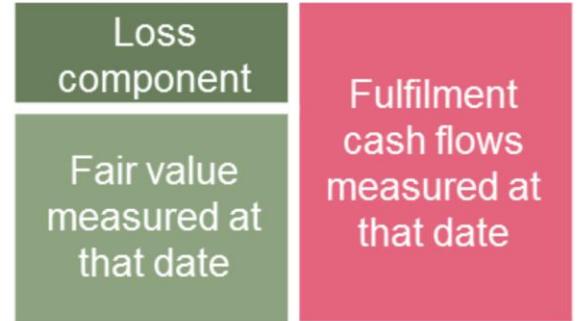Basis for Conclusions for IFRS 17 paragraph BC385
IFRS 13 *Fair Value Measurement* paragraph 25

❸ IFRS 13 *Fair Value Measurement*

Not a liquidation price or forced sale

Exit price

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date

Current price

Market-based view

IFRS 17: do not apply the IFRS 13 requirement of a deposit floor

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Further information:
IFRS 17 paragraph C20
Basis for Conclusions for IFRS 17 paragraph BC385
IFRS 13 paragraphs 2 and 16
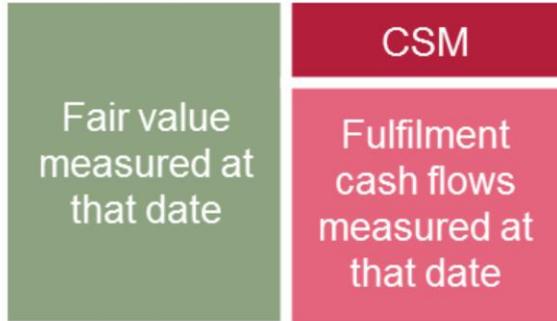
Further information:
IFRS 17 paragraph C20
Basis for Conclusions for IFRS 17 paragraph BC385

For more detail see webcast *Transition to IFRS 17 Part 2 of 2: transition reliefs deep dive*

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Further information:
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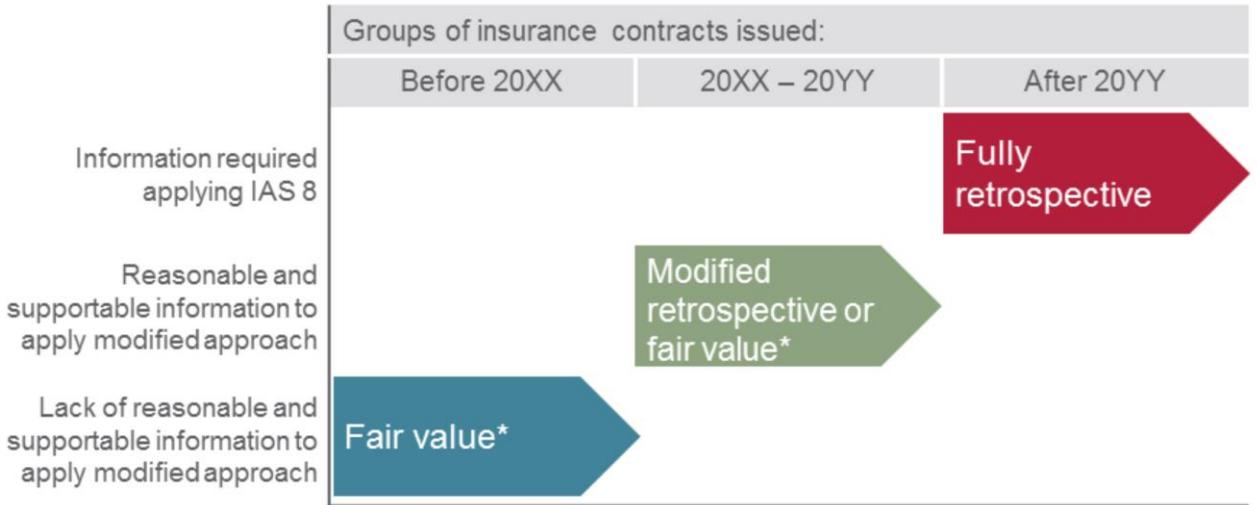
Further information:
IFRS 17 paragraphs C3 and C5–C6
Basis for Conclusions for IFRS 17 paragraphs BC372 and BC373

Transition requirements

Insurance contract asset / liability	Existing contracts (unless impracticable) and new business	Existing contracts if retrospective application is impracticable
CSM (Unearned profit)	Normal IFRS 17 measurement	**Transition reliefs**
Risk adjustment	Normal IFRS 17 measurement	Normal IFRS 17 measurement
PV of future cash flows	Normal IFRS 17 measurement	Normal IFRS 17 measurement

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Further information:
Basis for Conclusions for IFRS 17 paragraphs BC375–BC378
Webcast *IFRS 17 Measurement essentials* at go.ifrs.org/IFRS-17-implementation
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https://www.youtube.com/playlist?list=PLrLeeuMbuaUeLNX7Qoqlq7Oh3csegFwYn
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Other reliefs and disclosures

Transition to IFRS 17

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Further information:
IFRS 17 paragraphs C25–C28
Basis for Conclusions for IFRS 17 BC387–B389
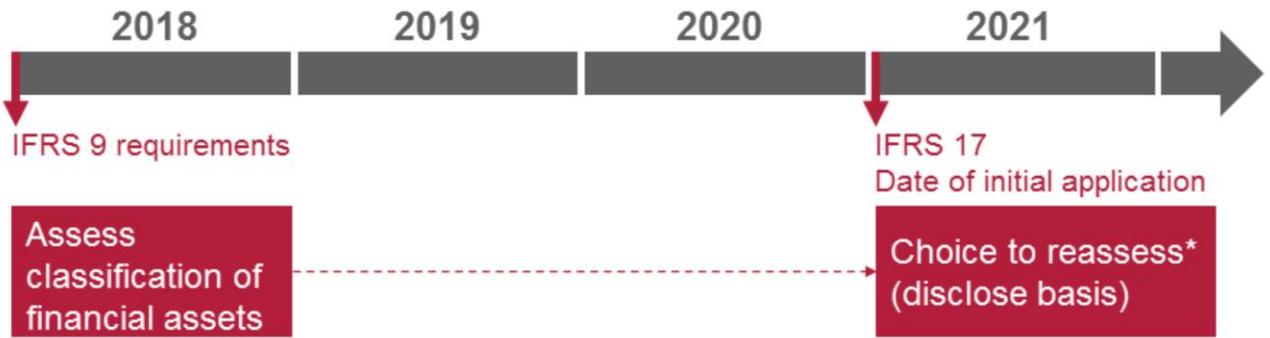
Further information:
IFRS 17 paragraphs C29 – C33
IFRS 17 Effects Analysis page 70 and pages 96–100
Basis for Conclusions for IFRS 17 BC394–BC398

Transition disclosures

- If applying modified retrospective or fair value approach:
    - Explanation of methods used and disaggregated information
    - For example, separate reconciliations of contractual service margin

Contractual service margin reconciliation		
Fully retrospective	Modified retrospective	Fair value
Existing contracts (unless impracticable) and new business	Existing contracts if retrospective application is impracticable	Existing contracts if retrospective application is impracticable

- If OCI option is applied:
    - Information about financial assets FVOCI that are related to insurance contracts

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Further information:
IFRS 17 paragraphs 114–116
Basis for Conclusions for IFRS 17 BC399–BC401
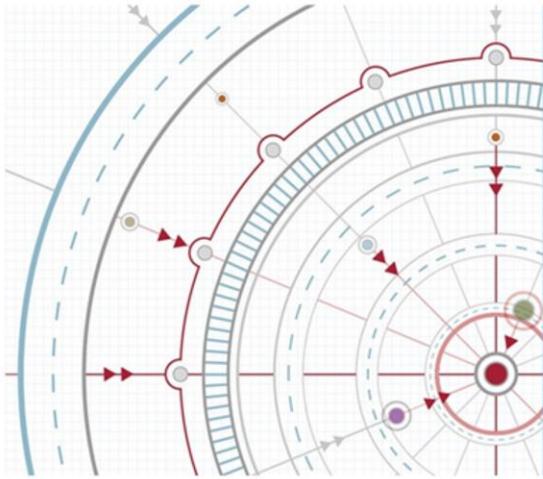
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IFRS 17
Insurance contracts

Transition to IFRS 17
Part 2 of 2: transition reliefs deep dive

IFRS

Today's topics

- When retrospective application is impracticable*:

  - Modifications permitted applying the modified retrospective transition approach

  - Choices permitted applying the fair value transition approach

* For overview see webcast *Transition to IFRS 17 Part 1 of 2: overview*

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Further information:
Webcast *Transition to IFRS 17 Part 1 of 2* at go.ifrs.org/IFRS-17-implementation and IFRS 17 YouTube playlist
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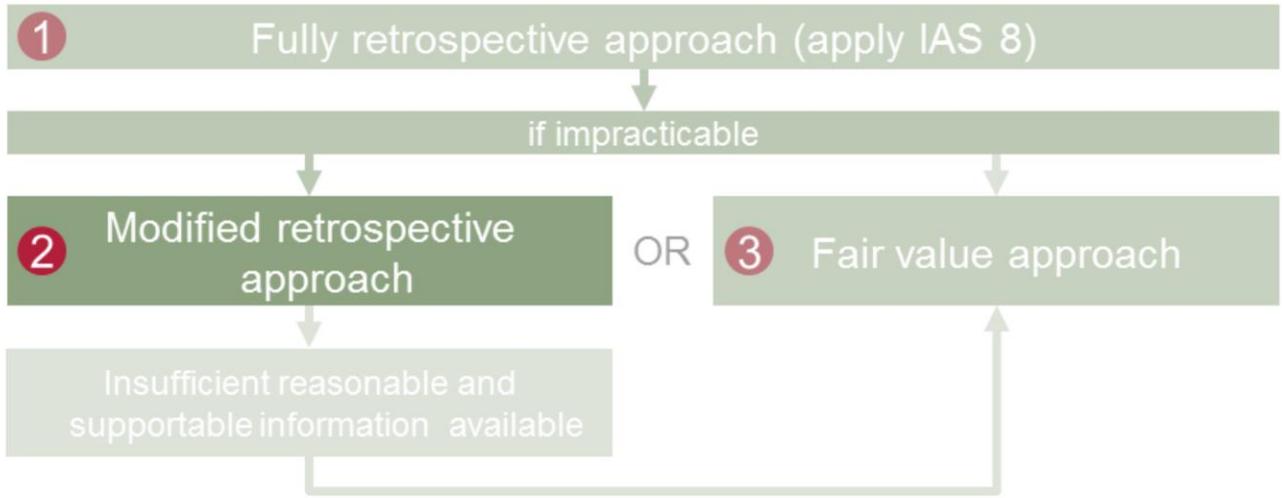https://www.youtube.com/playlist?list=PLrLeeuMbuaUeLNX7Qoqlq7Oh
3csegFwYn
IFRS 17 Effects Analysis available at http://www.ifrs.org/-
/media/project/insurance-contracts/ifrs-standard/ifrs-17-effects-
analysis.pdf
IFRS 17 Project Summary available at http://www.ifrs.org/-
/media/project/insurance-contracts/ifrs-standard/ifrs-17-project-
summary.pdf
IFRS 17 Feedback Statement available at http://www.ifrs.org/-
/media/project/insurance-contracts/ifrs-standard/ifrs-17-feedback-
statement.pdf

Further information:
IFRS 17 paragraph C5(a)
Basis for Conclusions for IFRS 17 paragraphs BC373 and BC379–BC384

❷ Modified retrospective approach

Reminder

Objective: to achieve the closest outcome to retrospective application possible using reasonable and supportable information available without undue cost or effort

An entity is permitted to use each modification only to the extent that the entity does not have reasonable and supportable information to apply a retrospective approach

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Further information:
IFRS 17 paragraphs C6 and C8
Basis for Conclusions for IFRS 17 paragraphs BC373 and BC379

❷ Modifications permitted

a) Initial assessments

b) Contractual service margin(CSM) or loss component at the transition date without direct participation features

c) Contractual service margin or loss component at the transition date with direct participation features

d) Applying OCI option*

*When an entity chooses to disaggregate insurance finance income or expenses between profit or loss and other comprehensive income (OCI)

Apply each modification only to the extent that the entity does not have reasonable and supportable information to apply the retrospective approach
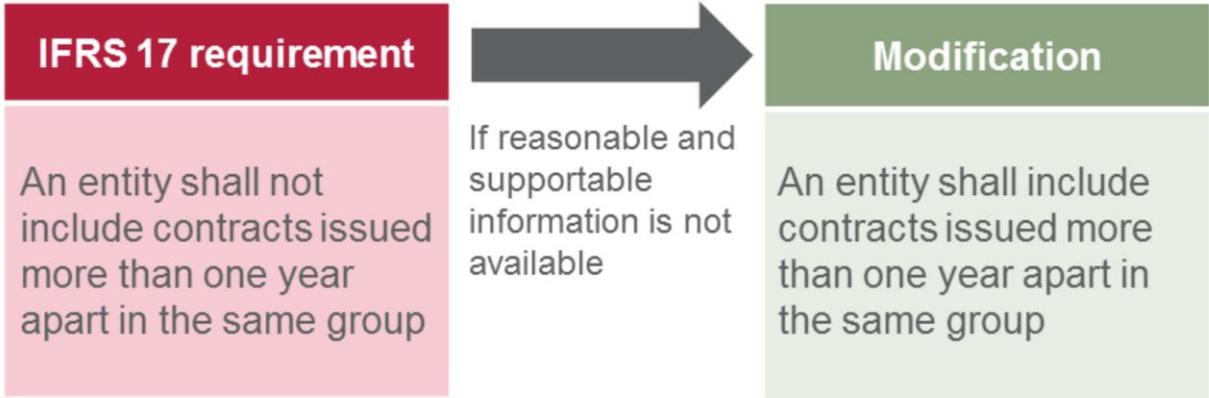
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Further information:
IFRS 17 paragraphs C7–C8
Basis for Conclusions for IFRS 17 paragraph BC380
Webcast *Transition to IFRS 17 Part 2 of 2* at go.ifrs.org/IFRS-17-implementation and IFRS 17 YouTube playlist
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2A Initial assessments

In order to:

- Identify insurance contracts with direct participation features
- For an insurance contract without direct participation features, identify discretionary cash flows
- Determine a group(s)

> Use reasonable and supportable information available at the **transition date**

Apply each modification only to the extent that the entity does not have reasonable and supportable information to apply the retrospective approach

IFRS

Further information:
IFRS 17 paragraph C9
Basis for Conclusions for IFRS 17 paragraphs BC381 and BC382

Further information:
IFRS 17 paragraphs 22 and C10

② Modifications permitted   9

a) Initial assessments

b) Contractual service margin or loss component at the
    transition date without direct participation features

c) Contractual service margin or loss component at the
    transition date with direct participation features

d) Applying OCI option

Apply each modification only to the extent that the entity does not have
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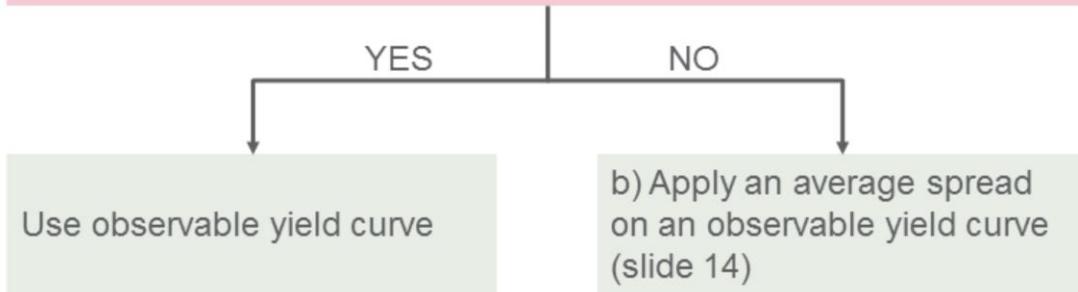
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Further information:
IFRS 17 paragraphs C7–C8
Basis for Conclusions for IFRS 17 paragraph BC380
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2B Determining CSM or loss component 10

i. Without direct participation features
  – Modifications to determine the contractual service margin or loss component for a group of insurance contracts at the transition date:

Future cash flows	➡ Modification (slide 11)
Discount rates	➡ Modification (slides 12 - 14)
Risk adjustment	➡ Modification (slide 15)
Allocation of CSM / loss component	➡ Modification (slide 16)

Apply each modification only to the extent that the entity does not have reasonable and supportable information to apply the retrospective approach

IFRS

Further information:
IFRS 17 paragraph C11
Basis for Conclusions for IFRS 17 paragraph BC383
IFRS 17 Illustrative Example 17

2B Modification: future cash flows

Expected future cash flows at the transition date
(or earlier date, if it can be determined retrospectively)

Adjust for cash flows known to have occurred resulting from:

| Contracts in-force at transition | **+** | Contracts expired | **=** | Contracts in-force at initial recognition |

Estimated future cash flows at initial recognition

Apply each modification only to the extent that the entity does not have reasonable and supportable information to apply the retrospective approach

IFRS

Further information:
IFRS 17 paragraph C12
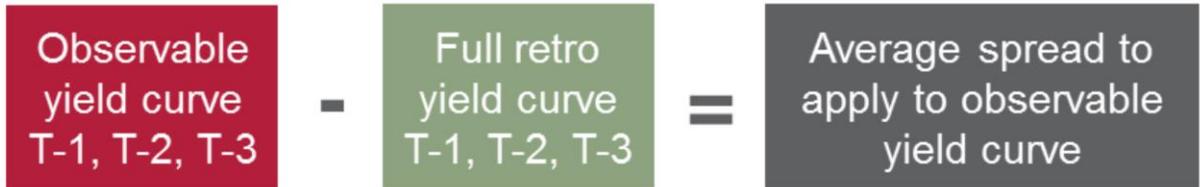Basis for Conclusions for IFRS 17 paragraph BC383(a)

Further information:
IFRS 17 paragraph C13
Basis for Conclusions for IFRS 17 paragraph BC383(c)

2B Modification: discount rates

a) Use an observable yield curve if it approximates the yield curve estimated under the full retrospective approach for *at least* three years immediately before the transition date

(1) IFRS 17 yield curve	(2) Observable yield curve	Does (2) approximate (1)?	Modification
T-1, T-2, T-3	T-1, T-2, T-3	✓	Use the observable yield curve

T = transition date

Apply each modification only to the extent that the entity does not have reasonable and supportable information to apply the retrospective approach

IFRS

Further information:
IFRS 17 paragraph C13(a)
Basis for Conclusions for IFRS 17 paragraph BC383(c)

Further information:
IFRS 17 paragraph C13(b)
Basis for Conclusions for IFRS 17 paragraph BC383(c)

2B Modification: risk adjustment

Risk adjustment at transition date (or subsequently)

Adjust for: expected release of risk adjustment
(by reference to similar insurance contracts the entity
issues at the transition date)

Estimated risk adjustment at initial recognition

Apply each modification only to the extent that the entity does not have
reasonable and supportable information to apply the retrospective approach

IFRS

Further information:
- IFRS 17 paragraph C14
- Basis for Conclusions for IFRS 17 paragraph BC383(b)

Modification: allocation of CSM or loss component

2B

Contractual service margin

Allocate CSM to profit or loss based on the number of coverage units remaining at transition compared to coverage units provided before transition

Loss component

Determine amounts allocated to the loss component before the transition date using a systematic basis

Apply each modification only to the extent that the entity does not have reasonable and supportable information to apply the retrospective approach

IFRS

Further information:
- IFRS 17 paragraphs C15–C16
- Basis for Conclusions for IFRS 17 paragraph BC383(d)

❷ Modifications permitted

a) Initial assessments

b) Contractual service margin or loss component at the transition date without direct participation features

c) Contractual service margin or loss component at the transition date with direct participation features

d) Applying OCI option

Apply each modification only to the extent that the entity does not have reasonable and supportable information to apply the retrospective approach

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Further information:
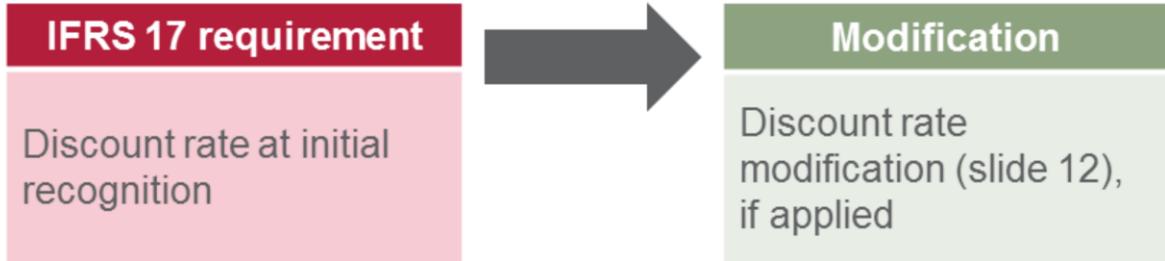IFRS 17 paragraphs C7–C8
Basis for Conclusions for IFRS 17 paragraph BC380
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https://www.youtube.com/playlist?list=PLrLeeuMbuaUeLNX7Qoqlq7Oh3csegFwYn

2C Contracts with direct participation features

- Modification for determining CSM at the transition date

	Total fair value of underlying items	Step 1
-	Fulfilment cash flows	
+	Charges to the policyholders prior to transition (including amounts deducted from underlying items)	Step 2
-	Payments made prior to transition that would not have varied with underlying items	
-	Estimated reduction in risk adjustment for non-financial risk prior to transition	
=	**Total CSM**	Step 3 if profitable
-	CSM that relates to the period before the transition date	
=	**Total CSM at transition date**	

IFRS

Further information:
IFRS 17 paragraph C17(a)–(d)
IFRS 17 Illustrative Example 18

2C Contracts with direct participation features

- Modification for determining loss component at the transition date

		Step
	Total fair value of underlying items	**Step 1**
-	Fulfilment cash flows	
+	Charges to the policyholders prior to transition (including amounts deducted from underlying items)	**Step 2**
-	Payments made prior to transition that would not have varied with underlying items	
-	Estimated reduction in risk adjustment for non-financial risk prior to transition	
=	**Total loss component (negative)**	**Step 3** if onerous
+	Adjustment to reduce loss component to nil	
=	**Nil loss component at transition date**	❀IFRS

Further information:
IFRS 17 paragraph C17(a)–(d)
IFRS 17 Illustrative Example 18

❷ Modifications permitted

a) Initial assessments

b) Contractual service margin or loss component at the transition date without direct participation features

c) Contractual service margin or loss component at the transition date with direct participation features

d) Applying OCI option
  i. Groups of contracts not issued more than 1 year apart
  ii. Groups of contracts issued more than 1 year apart

Apply each modification only to the extent that the entity does not have reasonable and supportable information to apply the retrospective approach
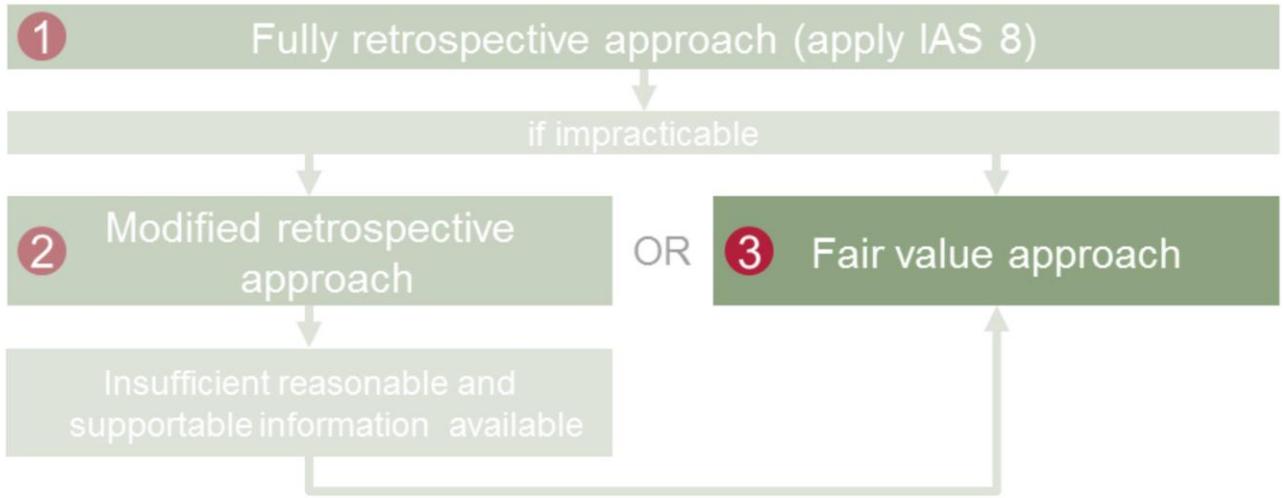
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Further information:
IFRS 17 paragraphs C7–C8
Basis for Conclusions for IFRS 17 paragraph BC380
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Further information:
IFRS 17 paragraphs 22, C10 and C19
Basis for Conclusions for IFRS 17 paragraph BC384

Further information:
IFRS 17 paragraphs 22, C10 and C18
Basis for Conclusions for IFRS 17 paragraph BC384

Further information:
IFRS 17 paragraph C5(b)
Basis for Conclusions for IFRS 17 paragraphs BC373 and BC385–BC386

Further information:
IFRS 17 paragraphs C21–C22
Basis for Conclusions for IFRS 17 paragraph BC386

Further information:
IFRS 17 paragraphs 22 , C10 and C23
Basis for Conclusions for IFRS 17 paragraph BC386(a)
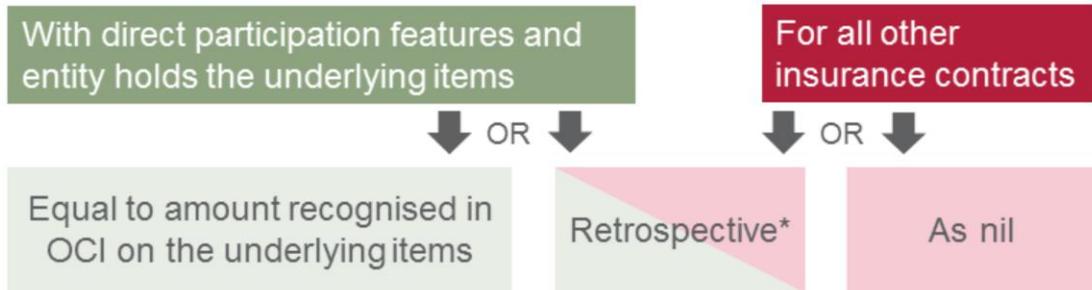
Further information:
IFRS 17 paragraph C24 and B134
Basis for Conclusions for IFRS 17 paragraph BC386(b)

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