

# AGENDA PAPER

IFRS® Foundation Trustees meeting – Due Process Oversight Committee

Tokyo May 2017

Agenda ref 1C

---

PRESENTER Henry Rees

AUTHOR Joanna Yeoh

---

## Implementation activities for the insurance contracts Standard

### Purpose

1. We updated the Due Process Oversight Committee (DPOC) on the planned implementation activities for the new insurance contracts Standard—IFRS 17 *Insurance Contracts* at its 31 January 2017 meeting (see Agenda Paper 1D).
2. Since the January 2017 DPOC meeting we have:
  - (a) developed further plans on the transition resource group for IFRS 17;
  - (b) initiated implementation support for IFRS 17;
  - (c) consulted with members of the Accounting Standards Advisory Forum (ASAF) on how they can support the implementation of IFRS 17 and on the inputs they need from the International Accounting Standards Board (the Board) to aid implementation; and
  - (d) disbanded the Insurance Working Group.

Accordingly, we are:

- (a) asking for comments from members of the DPOC on the plans for the transition resource group in paragraphs 5-13; and
- (b) providing for the DPOC's information, a further update on implementation support for IFRS 17, on the consultation with ASAF members, and the insurance working group in paragraphs 14-21.

## Background

3. The Board plans to issue IFRS 17 in the second half of May 2017.
4. At the January DPOC meeting, we outlined our plans to support implementation of IFRS 17 by:
  - (a) making available:
    - (i) supporting and explanatory materials together with the new Standard (Basis for Conclusions, Illustrative Examples, Effects Analysis, Project Summary and Feedback Statement);
    - (ii) a webcast introducing the new Standard, and a series of webcasts focusing on specific areas of the Standard;
    - (iii) supporting materials for investors, including meetings and articles;
    - (iv) educational support for regulators and national standard-setters;
    - (v) sessions at conferences focusing on the implementation of IFRS 17 and meetings with those who will be, or are involved in, implementing IFRS 17; and
  - (b) establishing a transition resource group (discussed further in paragraphs 5-13).

## Transition resource group

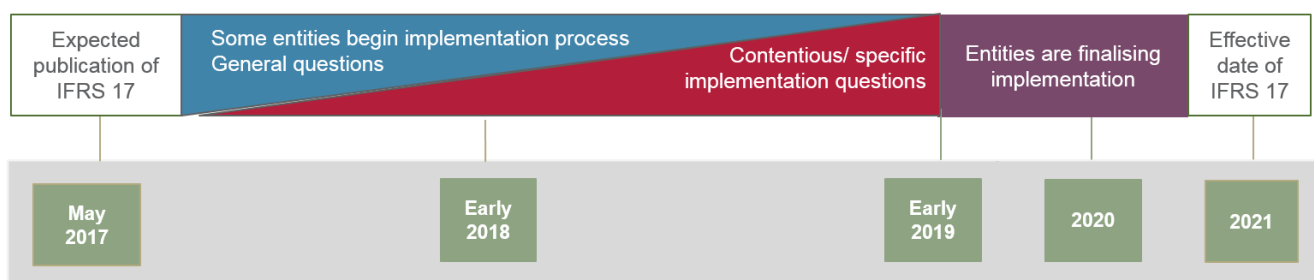
5. Taking into account the advice we have received from IFRS Advisory Council<sup>1</sup> and our previous experience of other transition resource groups, we will be establishing a transition resource group with the following objectives:
  - (a) to provide a public forum for stakeholders to follow the discussion of questions raised on implementation.

---

<sup>1</sup> In October 2016 the staff sought the advice of the IFRS Advisory Council in relation to the ways to support the implementation of IFRS 17 and this was reported in Agenda Paper 1D at the January 2017 DPOC meeting.

- (b) to inform the Board in order to help the Board determine what, if any, action will be needed to address those questions.
6. Transition resource groups are not part of our formal due process and do not issue authoritative guidance. Our previous experience with existing transition resource groups is that they can be an effective way of:
- (a) supporting the implementation of new requirements which are complex by discussing those requirements in a public forum and therefore allowing stakeholders another way of understanding how those requirements should be implemented; and
  - (b) informing the Board of emerging implementation questions.
7. The following diagram illustrates how we intend to tailor implementation support based on how we expect entities to approach implementation to IFRS 17.

How entities approach implementation



How we plan to approach implementation support



8. In the light of discussion at the transition resource group, the Board could decide if a question should be addressed further. Possible actions could include providing supporting materials such as webinars or case studies, and/or discussing the question in a Board and/or IFRS Interpretations Committee meeting. For some questions, further standard-setting action may be warranted. We note however, that some standard-setting action may be disruptive to the

implementation of the Standard, especially to early implementers, because ‘stable’ requirements are conducive to implementation.

### **Membership**

9. Consistent with the objectives of the IFRS 17 transition resource group in paragraph 5, we plan to have:
  - (a) 13 members and 3 observers. The observers will be from prudential and securities regulators. The members of the group should be:
    - (i) capable of making a positive contribution by having expertise, skills or practical knowledge related to insurance accounting and different types of insurance products, and be directly involved in the implementation of IFRS 17;
    - (ii) open-minded towards different perspectives and have the ability to participate in a free exchange of ideas in English; and
    - (iii) appointed in their personal capacity. No substitutions will be accepted if, or when, a member is unable attend.
  - (b) 3 Board members and staff members attend the transition resource group meeting, in addition to the 13 members and 3 observers in (a). A Board member will chair the transition resource group.
  
10. A group that is limited in size is likely to have a more effective discussion and debate on complex technical questions than a large group. In addition, the membership of the group should be such that the group are able to understand a range of product types issued in different countries. This could be achieved through the geographic spread of members and the inclusion of members that have access to a range of views. Accordingly, the expected size of the group set out in paragraph 9 balances these factors.
  
11. Based on the characteristics of the expected group’s members, we intend that the members will be both preparers and accounting firms who have begun, or are involved in, the process of implementing IFRS 17 relatively early compared to the overall population of implementers. It would be preferable if members have been following the project closely prior to the issuance of IFRS 17.

12. Indications of interest in being a member of the group will be sought publicly through a notice on our website when IFRS 17 is issued. To ensure visibility, the call for members will be referenced in the press release announcing the issuance of IFRS 17. At the time this paper was prepared, IFRS 17 is expected to be issued in the second half of May (see paragraph 3).

### **Meetings**

13. We expect that the first meeting of this transition resource group will be held in the fourth quarter of this year. We think it is important not to hold the first meeting immediately after the issuance of IFRS 17 to allow an initial period for interested parties to become more familiar with the words in the Standard. Experience has shown that a stable implementation period is necessary for preparers to implement the Standard efficiently. We therefore do not envisage having meetings of the transition resource group in the 18 months prior to the effective date of IFRS 17. During that period we expect implementation activities to be in a monitoring phase (see the diagram in paragraph 7).

**Question for the DPOC**

Do members of the DPOC have any comments on the plans for the transition resource group for IFRS 17?

### **Other information**

14. For the DPOC's information, we have provided an update: (1) on the implementation activities that have been initiated, (2) the advice from ASAF members (in paragraphs 17-20), and (3) the insurance working group (in paragraph 21).

### ***Implementation activities that have been initiated***

15. We provided an update on the strategy for supporting implementation of IFRS 17 at the April Board meeting. The update included plans discussed at the January

2017 DPOC meeting and has formed the basis of the plans for the TRG discussed in paragraphs 5-13.

16. As part of our plans of supporting the implementation of IFRS 17:
  - (a) a webpage will be set-up that consolidates information about our implementation activities on the date IFRS 17 is issued, similar to what has been done for other recently issued Standards. This webpage will include any resources we produce (eg webcasts) and explain how stakeholders can raise any implementation questions. Accordingly, the available support is visible and accessible. In addition, this page will include an e-mail address that enables implementation questions to be submitted. We will monitor the questions raised and will seek to tailor implementation support in the light of the emerging questions.
  - (b) preview webinars for national standard-setters on 17 May and webcasts for stakeholders on the day IFRS 17 is issued are planned.

***Advice from ASAF***

17. Many ASAF members stated that the supporting materials for IFRS 17—prepared by both the Board and the national-standard setters—will be particularly useful for the implementation of the new Standard. They noted that this material should be used to educate various stakeholders, although the timing of the education activities for preparers and users of financial statements may differ.
18. Support for a transition resource group was expressed at the ASAF meeting. Those members stated that they plan to monitor the meetings of the transition resource group to facilitate the submission and the analysis of the issues most relevant to their jurisdictions, as well as to support the work of any member of the transition resource group from their jurisdiction.
19. Some ASAF members suggested that the composition of the transition resource group should reflect the variety of entities operating in the insurance industry and should include an appropriate geographical coverage. Those members noted that entities in different jurisdictions are expected to encounter different implementation questions in light of the differences that currently exist in insurance accounting practices.

20. The feedback from ASAF members is largely consistent with that received from the IFRS Advisory Council. We reported feedback from the IFRS Advisory Council at the 31 January 2017 DPOC meeting in Agenda Paper 2C.

### ***The Insurance Working Group (IWG)***

21. The IWG is a consultative group that was formed in 2004 and consists of 25 members that was consulted during the development of the proposals that formed the basis of IFRS 17. Following the issuance of IFRS 17, and as agreed by the DPOC<sup>2</sup> at its October 2016 meeting, we will be writing to the IWG members informing them of the disbanding of the IWG when IFRS 17 is issued.

### **Next steps**

22. We will provide a further update on the implementation activities of IFRS 17, including the membership of the TRG, at the next DPOC meeting.

---

<sup>2</sup> This was discussed in Agenda Paper 1F at the October 2016 DPOC meeting.