June 2020

IFRS® Standards
Project Summary and Feedback Statement

Amendments to IFRS 17

IFRS®

Introduction

In June 2020, the International Accounting Standards Board (Board) amended IFRS 17 *Insurance Contracts*. Issued in May 2017, IFRS 17 sets out the requirements for a company reporting information about insurance contracts it issues and reinsurance contracts it holds.[1]

IFRS 17 replaces an interim Standard—IFRS 4 *Insurance Contracts*—from annual reporting periods beginning on or after 1 January 2023.

The Project Summary provides an overview of the targeted amendments to IFRS 17. The Feedback Statement summarises how the Board responded to feedback on proposals that led to the amendments.

The need for IFRS 17

The benefits of IFRS 17 are unaffected by the amendments.

IFRS 17 is the first comprehensive and truly international IFRS Standard establishing the accounting for insurance contracts.

With existing accounting for insurance contracts, investors and analysts find it difficult to:

- identify which groups of insurance contracts are profit making or loss making (onerous); and
- analyse trend information about insurance contracts.

IFRS 4 does not specify a single approach to account for insurance contracts. Companies in one jurisdiction may account for insurance contracts differently from companies in another jurisdiction, and one company may even account for its own insurance contracts in several ways.

The benefits of IFRS 17

IFRS 17:

- provides updated information about the rights, obligations, risks and performance arising from insurance contracts.
- increases transparency in financial information reported by insurance companies. Such transparency will give investors and analysts more confidence in understanding the insurance industry.
- introduces consistent accounting for all insurance contracts, based on a current measurement model.

1 In this document, 'company' refers to an entity that prepares financial statements using IFRS Standards. 'Insurer' or 'insurance company' refers to an entity that issues insurance contracts as defined in IFRS 17.

At a glance

Since the Board issued IFRS 17, it has been carrying out activities to support companies and monitor their progress in implementing the Standard. These activities helped the Board to understand the concerns and challenges that some companies identified while implementing the Standard.

The Board considered these concerns and challenges. It decided to amend IFRS 17 balancing the objective of assisting companies implementing the Standard, while not unduly disrupting implementation or diminishing the usefulness of the information provided by applying IFRS 17.

The targeted amendments to IFRS 17 have three main purposes.

Why has the Board amended IFRS 17?	How has the Board amended IFRS 17?
❶ To reduce costs	• By simplifying some requirements to reduce the costs of applying IFRS 17 for companies, including system-development costs
❷ To make the results easier to explain	• By revising some requirements to address concerns that the results of applying IFRS 17 as originally issued are difficult to explain in some circumstances, for example because they are perceived to cause accounting mismatches
❸ To ease transition	• By extending the period available to companies to prepare for the first application of IFRS 17 and the period for some insurers to prepare for the first application of IFRS 9 *Financial Instruments* • By providing additional transition reliefs to reduce the complexity of applying IFRS 17 for the first time

❶ Amendments to reduce costs

Contracts to which IFRS 17 applies

IFRS 17 applies to all insurance contracts with some specific exclusions.

The **amendment** extends those exclusions by:

- requiring a company to exclude some credit cards (and similar contracts) from the scope of IFRS 17; and
- permitting a company to apply either IFRS 17 or IFRS 9 to some loans.

Likely effects

Some companies will avoid incurring IFRS 17 implementation costs by applying IFRS 9 and other applicable IFRS Standards to account for some loans, credit cards and similar contracts, while still providing useful information to users of financial statements.

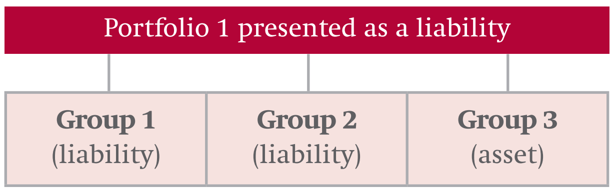
Balance sheet presentation

IFRS 17 requires a company to aggregate contracts at a sub-portfolio level, referred to in the Standard as a group. IFRS 17 as originally issued required a company to present on the balance sheet groups of insurance contracts that are assets separately from groups of insurance contracts that are liabilities.

The **amendment** requires a company to present insurance contract assets and liabilities on the balance sheet in portfolios instead of in groups.

Likely effects

A company no longer needs to integrate independent systems solely for the purpose of presenting insurance contracts on the balance sheet at the level of a group of contracts.
As well as reducing costs, the amendment will reduce the amount of insurance contract assets presented on the balance sheet.



The effect of previous interim reports

IFRS 17 as originally issued prohibited a company from changing the estimates made in previous interim financial statements when applying IFRS 17 subsequently—for example, when preparing annual financial statements.

The **amendment** provides:

- an option for a company to change the estimates made in previous interim financial statements when applying IFRS 17 subsequently; and
- a simplification at transition for companies that choose not to change such estimates.

Likely effects

The amendment will affect only companies that prepare interim financial statements. A company is expected to change the estimates made in previous interim financial statements if it considers doing so less costly than keeping the estimates unchanged.

❷ Amendments to make the results easier to explain

Acquisition costs

IFRS 17 as originally issued required a company to allocate fully and immediately to a group of contracts acquisition costs directly attributable to the contracts even when part of these costs relates to contract renewals that the company expects to recognise in the future.

The **amendment** requires a company to:

- allocate part of the acquisition costs to related expected contract renewals;
- recognise assets in respect of those costs until the company recognises the contract renewals;
- assess the recoverability of the assets at each reporting date, if facts and circumstances indicate the assets may be impaired; and
- disclose information about those assets.

Likely effects

The amendment is expected to:

- result in the recognition of larger, longer-lived assets for acquisition costs; and
- prevent the presentation of some insurance contracts as loss making because the acquisition costs exceed the premium of the initial contract, but future renewals are expected.

Reinsurance contracts held

For insurance contracts that at initial recognition are expected to be loss making, IFRS 17 requires a company to recognise losses immediately in profit or loss. IFRS 17 as originally issued required a company to recognise any recoveries of those losses from reinsurance contracts held in profit or loss over time as the company receives reinsurance coverage.

The **amendment** requires a company that recognises losses on insurance contracts on initial recognition to recognise at the same time expected recoveries of those losses from reinsurance contracts held that the company entered into before or at the same time as the loss-making insurance contracts were recognised.

A simplification is available at transition if a company does not know the date it entered into a reinsurance contract.

Likely effects

The amendment is expected to:

- result in the recognition of losses from insurance contracts issued and the expected recoveries of those losses from reinsurance contracts held in the same period; and
- make it easier to explain the accounting for reinsurance contracts held to investors.

Reinsurance contracts held and underlying contracts

A company might enter into reinsurance contracts so that it can transfer to another company (reinsurer) a portion of the risks assumed when issuing insurance contracts.

IFRS 17 requires a company to account for a reinsurance contract held separately from any underlying insurance contracts issued.

The accounting for the underlying insurance contracts issued is unaffected by the amendment.

Profit recognition

IFRS 17 specifies how to recognise profit—the contractual service margin—over the life of a group of insurance contracts. The general model in the Standard applies to insurance contracts without direct participation features, for which IFRS 17 as originally issued required a company to recognise profit as the company provides insurance coverage.

The **amendment** requires a company that issues insurance contracts without direct participation features to recognise profit when the company provides insurance coverage or any service relating to investment activities (investment-return service).[2]

Likely effects

The amendment is expected to change the pattern of profit recognition to better align it with the provision of different services when a company provides investment services. The amendment leaves unchanged the pattern of profit recognition for insurance contracts that do not provide any services relating to investment activities.

Use of the risk mitigation option

IFRS 17 permits a company to apply the risk mitigation option when it uses derivatives to mitigate financial risks arising from insurance contracts with direct participation features (contracts to which the variable fee approach applies).

The **amendment** enables a company to also apply the risk mitigation option when mitigating financial risks using:

- reinsurance contracts held; or
- non-derivative financial instruments measured at fair value through profit or loss.

Likely effects

The amendment affects companies that issue insurance contracts with direct participation features and choose to apply the risk mitigation option. The amendment is expected to reduce accounting mismatches and make it easier to explain the accounting for insurance contracts to investors.

About the risk mitigation option

A company might use derivatives, reinsurance contracts held or non-derivative financial instruments measured at fair value through profit or loss to mitigate the financial risks of insurance contracts with direct participation features. If a company does so, IFRS 17 allows the company to recognise changes in the mitigated financial risks in profit or loss, instead of adjusting the contractual service margin as normally required by the variable fee approach.

This is the ‘risk mitigation option’.

2 For insurance contracts with direct participation features (contracts to which the variable fee approach applies), a company is required to recognise profit when the company provides insurance coverage or service relating to investment activities (investment-related service).

❸ Amendments to ease transition

Effective date of IFRS 17

The effective date of IFRS 17 as originally issued was annual reporting periods beginning on or after 1 January 2021.

Companies are now required to apply IFRS 17 for annual reporting periods beginning on or after 1 January 2023.

Companies still have the option to apply IFRS 17 before that date if they also apply IFRS 9.

Likely effects

The deferral of the effective date of IFRS 17 by two years is intended to allow time for an orderly adoption of the amended IFRS 17 by jurisdictions. This should enable more insurers around the world to implement the new Standard at the same time. Implementation at the same time will benefit investors, insurers and other stakeholders.

Temporary exemption from IFRS 9

Companies have been required to apply IFRS 9 since annual reporting periods beginning on or after 1 January 2018. However, IFRS 4 has allowed some insurers to defer the application of IFRS 9.[3] Insurers that have elected to defer IFRS 9 application have instead continued to apply IAS 39 *Financial Instruments: Recognition and Measurement*. Such insurers have been required to make disclosures to enable investors to compare their financial statements with those of companies applying IFRS 9.

The exemption from applying IFRS 9 has been extended by two years. It will expire for annual reporting periods beginning on or after 1 January 2023.

Likely effects

The further delay in implementing IFRS 9 for some insurers will continue to enable them to first apply IFRS 17 and IFRS 9 at the same time. Doing so is expected to reduce IFRS 9 implementation costs and accounting mismatches for those insurers.

Transition approaches

When a company first applies IFRS 17, the company is required to account for its insurance contracts as if it had always applied IFRS 17, unless the company finds doing so impracticable.

If doing so is impracticable, the company can measure the contractual service margin using alternative approaches—a modified retrospective approach or a fair value transition approach. These approaches allow the company to benefit from the use of transition reliefs.

The Board amended IFRS 17 to provide three additional transition reliefs relating to:

- contracts acquired before transition;
- the risk mitigation option at transition; and
- investment contracts with discretionary participation features (DPF).

3 Companies whose activities are predominantly connected with insurance.

Contracts acquired before transition

In some cases, a company applying IFRS 17 treats a liability for claims settlement as a 'liability for remaining coverage' for contracts it acquired and as a 'liability for incurred claims' for contracts it issued.

The **amendment** permits a company, in some circumstances, to account for a liability for claims settlement of a contract acquired before the date of transition to IFRS 17 as a liability for incurred claims, instead of as a liability for remaining coverage.

Likely effects

Applying the amendment at transition, a company using one system to manage all liabilities for claims settlement will not need to distinguish between contracts the company issued and contracts it acquired. Companies applying the amendment will report lower revenue and expenses because liabilities for incurred claims do not give rise to revenue and expenses for the expected claims.

Risk mitigation option at transition

IFRS 17 prohibits a company from applying the risk mitigation option retrospectively.

Two amendments relate to this requirement. The first **amendment** permits a company to apply the risk mitigation option prospectively from the beginning of the comparative period—a year earlier than previously permitted. The second **amendment** permits a company, in some circumstances, to use the fair value transition approach to measure a group of insurance contracts at transition that the company would otherwise account for retrospectively.

Likely effects

Companies that apply the two amendments regarding the use of the risk mitigation option will reflect:

- in comparative information, the effects of risk mitigation when first applying IFRS 17; and
- the effects of risk mitigation in place before the date of transition to IFRS 17 consistently in equity at transition and in future profitability.

Investment contracts with DPF

To first apply IFRS 17 a company needs to identify the contracts to which IFRS 17 applies.

The **amendment** permits a company, in some circumstances, to use information available at the date of transition to IFRS 17, instead of at inception or initial recognition of a contract, to assess whether a contract is an investment contract with discretionary participation features.

Likely effects

The amendment is expected to ease transition to IFRS 17 for companies with investment contracts. The number of investment contracts that will fall within the scope of IFRS 17 when a company applies the amendment is expected to vary depending on the changes in the characteristics of a contract between its issuance date and the date of transition to IFRS 17.

Feedback Statement

The second section of this document summarises the significant matters raised in public consultation on the proposed amendments to IFRS 17 and how the Board responded.

The Board received many comments on the proposed amendments from comment letters and during meetings with stakeholders.

The feedback showed stakeholders' support for:

- the Board's process in considering the concerns and challenges arising from the implementation of IFRS 17 and in proposing targeted amendments to the Standard; and
- the proposals in the Exposure Draft.

All stakeholders generally agreed with the direction of the proposed amendments, but some stakeholders commented that the Board should have gone further (see Feedback on proposed amendments).

Some stakeholders commented on topics that the Board considered when developing the Exposure Draft that did not ultimately lead to proposed amendments to IFRS 17. In the Basis for Conclusions on the Exposure Draft the Board explained its rationale for proposing no amendments for these topics (see Feedback on topics with no proposed amendments).

Public consultation

- Exposure Draft *Amendments to IFRS 17* issued in June 2019
- More than 120 comment letters analysed
- More than 70 individual and group meetings held in 14 jurisdictions, including:
  - discussion forums with stakeholders, particularly with preparers of financial statements operating in the insurance and banking industries, and accounting firms
  - discussions with investors and analysts specialised in the insurance industry
- Feedback on more than 20 topics considered by the Board during its discussions from December 2019 to March 2020

1—Feedback on proposed amendments

Proposals in the Exposure Draft	Feedback	The Board's response
1.1—Additional scope exclusions The Exposure Draft proposed to exclude two additional types of insurance contracts from the scope of IFRS 17 so that a company would be: • required to apply IFRS 9, instead of IFRS 17, to credit cards that meet specified criteria; and • permitted to apply IFRS 9, instead of IFRS 17, to loans that meet specified criteria.	Overall, respondents agreed that the proposed scope exclusions would reduce implementation costs for some companies. Some stakeholders were concerned that: • IFRS 9 would require companies to account for some credit cards captured by the proposed scope exclusion at fair value through profit or loss. • the reference to 'credit cards' was too narrow. These stakeholders suggested extending the scope exclusion to contracts that are similar to credit cards and are typically issued by banks.	The Board confirmed the scope exclusions proposed in the Exposure Draft with two changes: • if a company provides the insurance coverage as part of the contractual terms of the credit card, the company separates the insurance component from the credit card and applies IFRS 17 only to that component. The company applies IFRS 9, and any other applicable IFRS Standards, to the rest of the credit card. • the scope exclusion also applies to contracts similar to credit cards that provide credit or payment arrangements—for example, charge cards.

continued ...

Proposals in the Exposure Draft	Feedback	The Board's response
1.2—Simplified balance sheet presentation The Exposure Draft proposed that a company would present insurance contract assets and liabilities on the balance sheet in portfolios of insurance contracts instead of in groups of insurance contracts.	Overall, respondents supported the proposed amendment because they agreed with the Board that the presentation of insurance contracts on the balance sheet using portfolios would reduce IFRS 17 implementation costs.	The Board confirmed the amendment as proposed in the Exposure Draft.
1.3—Allocation of acquisition costs to expected contract renewals The Exposure Draft proposed that a company would: • allocate part of the acquisition costs to related expected contract renewals; • recognise assets in respect of those costs until the company recognises the contract renewals; • assess the recoverability of the assets at each reporting date, if facts and circumstances indicate the assets may be impaired; and • disclose information about those assets.	Overall, respondents agreed that the proposed allocation of part of the acquisition costs to related expected contract renewals would help companies to explain their results. However, some respondents considered unduly complex the proposed requirements to assess the recoverability of assets for acquisition costs if facts and circumstances indicate the assets may be impaired. Some respondents suggested the Board provide application guidance for the recognition of an asset for acquisition costs at transition.	The Board confirmed the amendment proposed in the Exposure Draft. The Board concluded that the proposed requirements to assess the recoverability of the assets are needed. The requirements mean that a company recognises any impairment loss in profit or loss when the company no longer expects the contract renewals supporting the assets to occur. The Board added requirements for the identification, recognition and measurement of an asset for acquisition costs at transition and for insurance contracts acquired.

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Proposals in the Exposure Draft	Feedback	The Board's response
1.4—Reduced accounting mismatches for reinsurance The Exposure Draft proposed that a company that recognises losses on insurance contracts on initial recognition would at the same time recognise expected recoveries of those losses from reinsurance contracts held. The company would do so if: • a reinsurance contract held covers the claims of the insurance contracts on a proportionate basis (a fixed percentage of claims is recovered); and • the company entered into the reinsurance contract before or at the same time the loss-making insurance contracts were recognised.	Overall, respondents supported the objective of the proposed amendment. However, most respondents thought that the population of reinsurance contracts held to which the proposed amendment would apply was too narrow. Some stakeholders said that the proposed accounting for reinsurance contracts held would be different from general principles in IFRS Standards. These stakeholders were concerned that the proposed amendment might be open to abuse.	The Board extended the scope of the proposed amendment to *all* reinsurance contracts held into which a company enters before or at the same time as it recognises a loss on the underlying insurance contracts. The amendment proposed in the Exposure Draft applied only to reinsurance contracts that cover claims on a proportionate basis. The Board concluded that the possibility of abuse is limited because the amendment applies only when a company recognises a reinsurance contract held before or at the same time as the loss on the underlying insurance contracts, and the company is required to disclose separately amounts related to losses and recoveries of losses. The Board specified that a company determines the amount of a loss recovered from a reinsurance contract held by multiplying: • the loss it recognises on the underlying insurance contracts; and • the percentage of claims on the underlying insurance contracts it expects to recover from the reinsurance contract held (instead of a fixed percentage of claims as proposed in the Exposure Draft).

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Proposals in the Exposure Draft	Feedback	The Board's response
1.5—Attribution of profit to service relating to investment activities The Exposure Draft proposed that a company would recognise the expected profit for a group of insurance contracts without direct participation features in profit or loss when the company provides insurance coverage or any service relating to investment activities (investment-return service).[4] The Exposure Draft specified criteria for when insurance contracts without direct participation features may provide an investment-return service. Those criteria included the expectation that a company generates a positive investment return on an investment component or on an amount the policyholder has a right to withdraw.	Overall, respondents agreed that companies should consider services relating to investment activities, if any, in addition to insurance coverage for the recognition of the expected profit in profit or loss. Some respondents were concerned that: • the proposed criteria for when an investment-return service can exist were too narrow; and • some companies might incur costs to perform an investment activity to enhance the benefits of the policyholder even when a contract provides no investment-return service.	The Board confirmed the amendment proposed in the Exposure Draft with two changes: • the criteria for when an insurance contract may provide investment-return service include the generation of an investment return (instead of a positive investment return as proposed in the Exposure Draft); and • a company is required to include, as cash flows within the boundary of an insurance contract, costs related to investment activities to the extent that the company performs such activities to enhance benefits from insurance coverage to the policyholder.

continued ...

4 For insurance contracts with direct participation features (contracts to which the variable fee approach applies), the Exposure Draft proposed to clarify that a company is required to recognise profit when the company provides insurance coverage or service relating to investment activities (investment-related service).

Proposals in the Exposure Draft	Feedback	The Board's response
1.6—Extension of the risk mitigation option The Exposure Draft proposed to permit a company to use the risk mitigation option when the company uses reinsurance contracts held to mitigate financial risks of insurance contracts with direct participation features (contracts to which the variable fee approach applies).	Overall, respondents supported the proposed extension of the risk mitigation option. Some respondents suggested a further extension of the risk mitigation option to circumstances when a company uses non-derivative financial instruments to mitigate financial risks. Some respondents also suggested the Board develop a risk mitigation option for insurance contracts without direct participation features.	The Board extended the use of the risk mitigation option to reinsurance contracts held as proposed in the Exposure Draft. The Board also extended the use of the risk mitigation option to non-derivative financial instruments measured at fair value through profit or loss used to mitigate the effect of financial risk on the fulfilment cash flows. The Board did not develop a risk mitigation option for insurance contracts without direct participation features. The risk mitigation option resolves a specific accounting mismatch that arises because of the introduction of the variable fee approach. The Board did not intend the risk mitigation option to apply to broader risk mitigation activities.

continued ...

Proposals in the Exposure Draft	Feedback	The Board's response
1.7— Additional transition reliefs The Exposure Draft proposed to add three simplifications to IFRS 17 for companies applying the Standard for the first time. Those simplifications would apply to the accounting for contracts acquired before transition and risk mitigation activities in place at transition.	Overall, respondents agreed that the three simplifications proposed in the Exposure Draft would reduce implementation costs and ease transition to IFRS 17. Some respondents suggested adding more specific transition reliefs. Other respondents suggested the Board permit companies more general optionality and flexibility when using approaches to transition other than a full retrospective approach.	The Board confirmed the three simplifications as proposed in the Exposure Draft. The Board also added simplifications relating to investment contracts with discretionary participation features, the date a company entered into a reinsurance contract held for the purpose of recognising recoveries of losses and the accounting policy choice for estimates made in previous interim financial statements. The Board reiterated that permitting a company more general optionality and flexibility at transition would reduce the usefulness of information for users of financial statements. However, the Board noted that the specified simplifications in the modified retrospective approach do not prohibit a company from making estimates when applying such simplifications.

continued ...

Proposals in the Exposure Draft	Feedback	The Board's response
1.8—Deferral of the effective date from 2021 to 2022 The Exposure Draft proposed to amend: • the effective date of IFRS 17—companies would be required to apply IFRS 17 from annual reporting periods beginning on or after 1 January 2022 (instead of 1 January 2021); and • the expiry date in IFRS 4 for the temporary exemption from applying IFRS 9—extending the temporary exemption from applying IFRS 9 to annual reporting periods beginning on or after 1 January 2022 (instead of 1 January 2021).	Overall, respondents supported deferring the effective date of IFRS 17 and extending the expiry date for the temporary exemption from applying IFRS 9. Some respondents emphasised the importance of having the same effective date of IFRS 17 in jurisdictions around the world. These respondents suggested the Board defer the effective date by two years, instead of by the one year proposed in the Exposure Draft, to achieve this objective. Many respondents said that continuing to enable some insurers to first apply IFRS 17 and IFRS 9 at the same time would reduce IFRS 9 implementation costs and accounting mismatches for those insurers. However, some users of financial statements and regulators were concerned about further delaying improved information on expected credit losses by insurers, many of whom hold significant amounts of financial assets.	To allow time for an orderly adoption of the amended IFRS 17 by jurisdictions, the Board deferred the effective date by two years, instead of by the one year proposed in the Exposure Draft. The Board also extended the temporary exemption from applying IFRS 9 to continue to enable some insurers to first apply IFRS 9 and IFRS 17 at the same time. Accordingly, from annual reporting periods beginning on or after 1 January 2023: • companies are required to apply IFRS 17; and • insurers can no longer use the exemption from applying IFRS 9.

2—Feedback on topics with no proposed amendments

Topic	Feedback	The Board's response
2.1—Annual cohorts The annual cohort requirement in IFRS 17 prohibits a company from including in the same group contracts issued more than one year apart. A company may incur costs to apply this requirement because the company needs to identify the contractual service margin for each annual cohort. However, the Board concluded that information about higher or lower profits earned by the company from different generations of contracts is sufficiently useful information to justify such costs.	Some respondents, including users of financial statements and securities regulators, agreed with the Board's decision to retain the requirement unchanged and urged the Board to reaffirm its decision. Other respondents asked the Board to amend or delete the requirement. Some respondents commented that applying the annual cohort requirement to insurance contracts with intergenerational sharing of risks between policyholders may fail to reflect the intergenerational sharing of risks, and may result in arbitrary allocations between annual cohorts as well as higher implementation costs.	The Board concluded that annual cohorts are necessary to provide useful information about an insurance company's financial performance, in particular information about changes in profitability over time, including for insurance contracts that share risks across generations of policyholders. Any exemption from the requirement runs too great a risk of an unacceptable loss of information, even if the exemption were aimed at a very limited population of contracts. Therefore, the Board reconfirmed its decision to retain the annual cohort requirement unchanged.[5]

continued ...

5 More information about the annual cohort requirement in IFRS 17 and the Board's decision to retain it unchanged is included in this article: https://cdn.ifrs.org/-/media/project/amendments-to-ifrs-17/inbrief-ifrs17-factsheet-april2020.pdf.

Topic	Feedback	The Board's response
2.2—Contracts acquired In some cases, a company applying IFRS 17 treats a liability for claims settlement as a 'liability for remaining coverage' for contracts it acquired and as a 'liability for incurred claims' for contracts it issued. The Exposure Draft proposed a simplification for contracts acquired. In some circumstances, a company would be permitted to account for a liability for claims settlement of a contract acquired before the date of transition to IFRS 17 as a liability for incurred claims, instead of as a liability for remaining coverage.	Respondents supported the simplification for contracts acquired before the date of transition to IFRS 17. Some respondents suggested the Board also permit that simplification for contracts acquired after the date of transition to IFRS 17. Those respondents commented that such a simplification would reduce the complexity and costs of applying IFRS 17 for some companies that would not otherwise need to distinguish between liabilities for claims settlement of contracts acquired and those of contracts issued.	The Board concluded that exempting insurance contracts acquired after the date of transition to IFRS 17 from the general requirements in IFRS 17 would create complexity for users of financial statements and reduce comparability with the requirements for other transactions. Therefore, the Board reconfirmed its decision to retain unchanged the requirements in IFRS 17 for insurance contracts acquired in their settlement period.
2.3—Effect of previous interim reports IFRS 17 as originally issued prohibited a company from changing the estimates made in previous interim financial statements when applying IFRS 17 subsequently—for example, when preparing annual financial statements.	Some respondents highlighted two main sources of costs needed to implement and apply the requirement: • changing insurance accounting practices for interim financial statements (from a year-to-date basis to a period-to-period basis); and • maintaining two sets of records to reflect the different treatment of accounting estimates of companies in a consolidated group that report at different frequencies from each other.	To reduce IFRS 17 costs the Board amended IFRS 17 to: • allow a company to choose whether to change the estimates made in previous interim financial statements when applying IFRS 17 subsequently; and • require the company to apply its choice of accounting policy to all insurance contracts the company issues and to all reinsurance contracts it holds.

Glossary

This list of terms used in this document is for educational purposes only. Terms defined in IFRS 17 are included in Appendix A of the Standard.

Contractual service margin

The component of the asset or liability for a group of insurance contracts representing the unearned profit an insurer will recognise in profit or loss as the insurer provides services under insurance contracts in the group.

Date of transition to IFRS 17

The beginning of the annual reporting period immediately before the date of initial application of IFRS 17.

Fulfilment cash flows

Estimates of amounts that an insurer expects to collect from premiums and pay out for claims, benefits and expenses, including an adjustment for the timing and risk of those amounts.

General model and variable fee approach

The accounting model in IFRS 17. The general model is modified for insurance contracts with direct participation features. The modifications for those contracts are referred to as the variable fee approach.

Group of insurance contracts

A set of insurance contracts resulting from the division of a portfolio of insurance contracts according to criteria specified in IFRS 17.

Insurance contract services

Insurance coverage, investment-related service and investment-return service.

Investment-related service

Managing underlying items (for example, equity shares) on behalf of the policyholder. An investment-related service is provided by insurance contracts with direct participation features (contracts to which the variable fee approach applies).

Investment-return service

Generating an investment return for the policyholder. An investment-return service might be provided by insurance contracts without direct participation features (contracts to which the general model applies).

Liability for incurred claims

An insurer's obligation to pay amounts related to services provided.

Liability for remaining coverage

An insurer's obligation to provide insurance contract services.

Portfolio of insurance contracts

Insurance contracts that are subject to similar risks and are managed together. Different product lines (for example, annuities and car insurance) are expected to be in different portfolios.

Important information

The Project Summary and the Feedback Statement have been compiled by the staff of the IFRS Foundation for the convenience of interested parties. The views within this document are those of the staff who prepared this document and are not the views or the opinions of the Board and should not be considered authoritative in any way. The content of this document does not constitute any advice. Official pronouncements of the Board are available in electronic format to eIFRS subscribers. Publications are available for ordering from our website at www.ifrs.org.

Other relevant documents

IFRS 17 *Insurance Contracts* (amended in June 2020)—specifies the requirements for the accounting for insurance contracts.

Basis for Conclusions on IFRS 17—summarises the Board's considerations in developing the requirements in IFRS 17.

Illustrative Examples on IFRS 17—illustrate aspects of IFRS 17 but provide no interpretative guidance.

Effects Analysis on IFRS 17—describes the likely costs and benefits of IFRS 17.

Amendments to IFRS 17—includes the requirements in IFRS 17 that the Board amended in June 2020. It also includes the new paragraphs to be added to the Basis for Conclusions on IFRS 17. These paragraphs analyse the considerations of the Board when developing these amendments including additional analysis of the feedback on the proposals that preceded the amendments and how the Board responded to that feedback.

Notes

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