

## STAFF PAPER

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IASB<sup>®</sup> meeting

Project	Insurance Contracts		
Paper topic	Cover note		
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## Introduction

1. The papers for this meeting update the Board on the work to support implementation of IFRS 17 *Insurance Contracts* since it was published on 18 May 2017. This cover note:
  - (a) provides an overview of the papers for this meeting; and
  - (b) outlines next steps.
2. Appendix A to this paper summarises the activities that the staff and the Board are undertaking to support implementation of IFRS 17.

## Papers for this meeting

3. There are four papers for this meeting:
  - (a) Agenda Paper 2A *Summary of the Transition Resource Group for IFRS 17 Insurance Contracts meeting held on 26–27 September 2018*, see paragraphs 4–6 of this paper;
  - (b) Agenda Paper 2B *TRG for IFRS 17 Insurance Contracts submissions log*, see paragraph 7 of this paper;

- (c) Agenda Paper 2C *Criteria for evaluating possible amendments to IFRS 17*, see paragraphs 8–12 of this paper; and
- (d) Agenda Paper 2D *Concerns and implementation challenges*, see paragraph 13 of this paper.

### **Agenda Paper 2A Summary of the Transition Resource Group for IFRS 17 Insurance Contracts meeting held on 26–27 September 2018**

- 4. The Transition Resource Group for IFRS 17 (TRG) provides a public forum for stakeholders to follow the discussion of implementation questions raised as entities ready themselves for the effective date of IFRS 17. The TRG considers implementation questions that meet the following criteria:
  - (a) must be related to, or arise from, IFRS 17;
  - (b) may result in possible diversity in practice; and
  - (c) are expected to be pervasive, ie relevant to a wide group of stakeholders.
- 5. The TRG has received a total of 81 submissions to date, of which 32 were for the meeting on 26–27 September 2018. There were 11 agenda papers discussed.
- 6. The summary of the 26–27 September 2018 meeting of the TRG is reported to the Board in Agenda Paper 2A. No decisions are requested from the Board.

### **Agenda Paper 2B TRG for IFRS 17 Insurance Contracts submissions log**

- 7. Agenda Paper 2B provides, for the Board’s information, the submissions log for the TRG for IFRS 17. No decisions are requested from the Board.

### **Agenda Paper 2C Criteria for evaluating possible amendments to IFRS 17**

- 8. Since IFRS 17 was issued, the Board has been monitoring and supporting implementation. As a result, the Board has learned about the concerns and implementation challenges, including those related to costs and benefits of IFRS 17, that arise in implementing IFRS 17. The Board has previously indicated that it will consider whether additional action is needed to address matters arising during

implementation. Agenda Paper 2C discusses the criteria that the Board should consider for evaluating possible amendments to IFRS 17.

9. At this meeting, the Board is not asked whether the Standard should be amended. Depending on the Board's feedback at this meeting the staff will bring papers to future meetings to consider whether any amendments to IFRS 17 are justified. The staff also note that should the Board decide to amend the Standard, any such amendment would be subject to the Board's due process for amendments to Standards, including developing an Exposure Draft.
10. At a future meeting, the Board will be asked to consider whether any of the concerns and implementation challenges, including those related to costs and benefits of IFRS 17, indicate that there might be a need to amend the requirements of IFRS 17.
11. In Agenda Paper 2C, the staff recommend that the Board's assessment of whether there is a need to amend IFRS 17 should be balanced with the need to limit any such amendments to those that meet the following criteria:
  - (a) the amendments would not result in significant loss of useful information relative to that which would be provided by IFRS 17 for users of financial statements, ie any amendments would avoid:
    - (i) reducing the relevance and faithful representation of information in the financial statements of entities that issue insurance contracts;
    - (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 processes that are already under way or risk undue delays in the effective date of a Standard that is needed to address many inadequacies in the existing wide range of insurance accounting practices.

12. The staff note that:
- (a) even if the Board agrees that any potential amendment to IFRS 17 should meet the criteria in paragraph 11 of this paper, it does not mean that all amendments meeting these criteria are justified.
  - (b) if the Board were to explore substantive amendments to IFRS 17, this could create uncertainty that could disrupt the progress of preparers in implementing IFRS 17. Some stakeholders have requested a deferral of a number of years. Other stakeholders have told us that while a short delay of one year could be helpful, a longer delay would be disruptive and could mean that significant additional implementation costs could be incurred. In determining what amendments if any to make to IFRS 17, the Board will need to balance the potential benefit of any amendments against the effect of an undue delay to a Standard that is needed to address many inadequacies in the existing wide range of insurance accounting practices.

### **Agenda Paper 2D Concerns and implementation challenges**

13. Agenda Paper 2D provides an overview of the main concerns and implementation challenges about the requirements in IFRS 17 expressed by stakeholders since the issuance of the Standard. No decisions are requested from the Board.

### **Next steps**

14. As noted in paragraph 10 of this paper, the Board will be asked to consider at a future meeting whether any of the concerns and implementation challenges indicate a need for standard-setting to amend the requirements of IFRS 17 in addition to the Annual Improvements<sup>1</sup> the Board has already tentatively decided to propose.

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<sup>1</sup> Refer to Agenda Paper 2 *Cover note* for the June 2018 Board meeting.

## **Appendix A—Activities undertaken to support implementation of IFRS 17**

- A1. IFRS 17 introduces a fundamental change to existing insurance accounting practices and introduces many new concepts for entities that issue insurance contracts. Accordingly, the staff and the Board are carrying out and are planning to continue to carry out activities to support IFRS 17 implementation. Those activities, which are described below, are helpful for the Board to:
- (a) understand investors perspectives about the new information they will receive when IFRS 17 is implemented;
  - (b) monitor preparers' progress in implementing IFRS 17; and
  - (c) assess whether any additional action is needed to address implementation questions.
- A2. This appendix describes the following activities:
- (a) ongoing stakeholder outreach (paragraph A3);
  - (b) meetings with investors and analysts (paragraphs A4–A5);
  - (c) Transition Resource Group (paragraphs A6–A8);
  - (d) educational materials (paragraph A9); and
  - (e) annual improvements (paragraph A10).

### ***Ongoing stakeholder outreach***

- A3. Since IFRS 17 was issued, the staff and the Board have continued extensive stakeholder outreach through discussions with preparers and users of financial statements, national standard-setters, auditors, market and prudential regulators, and actuaries. More than 300 meetings have been held since the issuance of the Standard.

### ***Meetings with investors and analysts***

- A4. Board members, the project team and the investor engagement team continue the discussions with investors and analysts to illustrate the information that IFRS 17 will provide to users of financial statements. From mid-May 2017 to the end of August 2018, there were about 100 discussions with over 500 investors and analysts.
- A5. We have also prepared educational material targeted at investors as follows:
- (a) *‘IFRS 17 for investors—How does IFRS 17 work and what does it mean for investors?’* An educational webinar on IFRS 17 tailored to investors.
  - (b) *‘The Essentials for investors’*—translates existing terminology and metrics in to the language of IFRS 17.
  - (c) *‘Investor Perspectives: Accounting to reflect economics—why the unit of account matters to investors’* by Board member Darrel Scott.

### ***Transition Resource Group (TRG)***

- A6. The TRG is a public forum of insurers, auditors and regulators that met three times in 2018 to discuss implementation questions submitted by stakeholders. A total of 81 submissions were submitted to the TRG.
- A7. The purpose of the group is to:
- (a) provide a public forum for stakeholders to follow the discussion of questions raised on implementation.
  - (b) inform the Board in order to help the Board determine what, if any, action will be needed to address those questions. Possible actions include providing supporting materials such as webinars, case studies and/or referral to the Board or IFRS Interpretations Committee.
- A8. The dedicated webpage<sup>2</sup> for the TRG on the IFRS Foundation website provides meeting papers, podcasts and meeting summaries on each of the three meetings held so far.

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<sup>2</sup> <https://www.ifrs.org/groups/transition-resource-group-for-insurance-contracts/>

### ***Educational materials***

A9. Various materials supporting implementation of IFRS 17 that have been published on the IFRS Foundation website include the following.

- (a) A series of IFRS 17 webinars and webcasts. These cover:
  - (i) Introduction to IFRS 17;
  - (ii) Scope of IFRS 17;
  - (iii) Measurement essentials of IFRS 17;
  - (iv) Simplified accounting for contracts with short coverage periods;
  - (v) Reinsurance contracts held;
  - (vi) Recognition and derecognition;
  - (vii) Transition to IFRS 17;
  - (viii) Level of aggregation;
  - (ix) Recognising the contractual service margin in profit or loss; and
  - (x) Insurance contracts with participation and other features.
- (b) Guidance to requirements in the Standard:
  - (i) IFRS 17 pocket guide on reinsurance contracts held;
  - (ii) Reinsurance contracts held: an example of proportionate reinsurance coverage;
  - (iii) IFRS 17 and mutual entities;
  - (iv) Premium Allocation Approach: example with comparison to existing accounting practice; and
  - (v) Summary of the IFRS 17 accounting model in one page.
- (c) Board member articles:
  - (i) *What investors ask about IFRS 17* by Nick Anderson;
  - (ii) *IFRS 17—Help is at hand* by Martin Edelmann;

- (iii) *Transitioning to the new IFRS Standard for insurance contracts* by Amaro Gomes; and
- (iv) *Reducing the gap between insurance and other industries* by Gary Kabureck.

### ***Annual improvements***

A10. The Board has also been responsive in addressing cases when the drafting of IFRS 17 does not achieve what the Board intended. In June 2018, the Board tentatively decided to propose minor amendments to IFRS 17 (and other Standards amended by IFRS 17). Those proposed amendments would not alter the principles or intended requirements of IFRS 17 and would not have a consequential impact on other parts of the Standard. They simply ensure that the wording of IFRS 17 is consistent and reflects the decisions the Board made in its development.