

STAFF PAPER

April 2019

IASB® meeting

Project	Amendments to IFRS 17 <i>Insurance Contracts</i>		
Paper topic	Cover note		
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Background for the papers to this meeting

1. In May 2017, the International Accounting Standards Board (Board) issued IFRS 17 *Insurance Contracts* which establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts. IFRS 17 replaces IFRS 4 *Insurance Contracts*, an interim Standard that allowed entities to use a wide variety of accounting practices for insurance contracts.
2. Throughout the development of IFRS 17, the Board was aware that applying IFRS 17 for the first time will result in significant costs for some entities, but overall considered that the benefits of IFRS 17 would outweigh the costs (for discussion of the costs and benefits of IFRS 17 refer to the *Effects Analysis on IFRS 17*).
3. The Board engaged with stakeholders extensively when developing IFRS 17. However, despite the Board's and stakeholders' best efforts to understand all likely challenges of implementing IFRS 17, the Board was aware that because IFRS 17 is such a major change for some entities, it was inevitable that some challenges would not emerge until entities began implementation. The Board might have responded to some of those challenges during the development of the Standard if it had been aware of them. Therefore, the Board indicated that it would consider whether additional action was needed to address matters identified as entities began their implementation efforts.

4. Consequently, after IFRS 17 was issued, the Board initiated a comprehensive programme of stakeholder engagement. One objective of this engagement was to understand the practical challenges of implementing IFRS 17 and identify possible ways the Board could ease the burden of transition to IFRS 17. In addition, the Board has established a Transition Resource Group for IFRS 17, which provides a public forum for stakeholders to follow the discussion of questions raised on implementation and inform the Board in order to help the Board determine what, if any, action will be needed to address those questions.
5. In October 2018, the Board considered the concerns and implementation challenges arising for stakeholders during their implementation processes, including those related to the balance of costs and benefits from applying IFRS 17. The Board noted that it would consider whether any amendments to IFRS 17 to address those concerns and implementation challenges might be justified. At the same time, the Board noted:
 - (a) that making amendments to a recently issued Standard carries a risk of disruption to implementation processes that are already underway; and
 - (b) that there is the need to ensure that any amendments do not unduly delay the effective date of the Standard.
6. Accordingly, the Board tentatively decided that any amendments to IFRS 17 should meet the following criteria:
 - (a) the amendments would not result in significant loss of useful information relative to that which would otherwise be provided by IFRS 17 for users of financial statements—any amendments would avoid:
 - (i) reducing the relevance and faithful representation of information in the financial statements of entities applying IFRS 17;
 - (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 already under way or risk undue delays in the effective date of IFRS 17, which is needed to

address many inadequacies in the existing wide range of insurance accounting practices.

7. Mindful of those criteria, between October 2018 and March 2019, the Board evaluated whether any of the concerns and implementation challenges identified justify amendments to the Standard that would meet these criteria. As part of that work, the staff and the Board have reviewed possible approaches developed by stakeholders in different forms and have held extensive dialogue with stakeholders to further understand those approaches and their implications in more detail. The feedback from this dialogue was reflected in the staff's development of the papers for the Board during that period.
8. The Board substantively completed its review of possible amendments to IFRS 17 at its March 2019 meeting. The staff note that entities, auditors and others have had 22 months since the issuance of IFRS 17 to identify implementation issues. As a result, although it is possible that further implementation issues could arise, the staff expect any substantive implementation issues to have been identified in that time period. Furthermore, any further changes to IFRS 17 could disrupt, rather than help, the implementation process. Accordingly, the staff think that after the amendments are finalised, the Board should avoid standard-setting for any further issues identified before it undertakes the post-implementation review of IFRS 17.

Papers for this meeting

9. The papers for this meeting comprise:
- (a) Agenda Paper 2A *Overview of the amendments to IFRS 17*, which:
 - (i) considers the proposed amendments as a whole;
 - (ii) evaluates each of the proposed amendments against the criteria the Board set in October 2018; and
 - (iii) considers the likely effects of the proposed amendments to IFRS 17.
 - (b) Agenda Paper 2B *Due process steps and permission for balloting*, which:
 - (i) asks the Board to confirm its tentative decisions from the November 2018 meeting relating to the mandatory effective date of IFRS 17 and the fixed expiry date for the temporary exemption in IFRS 4 from applying IFRS 9 *Financial Instruments*;
 - (ii) considers the due process steps undertaken by the Board in completing the narrow-scope project on the amendments to IFRS 17 and asks the Board to confirm that it wishes to proceed with an Exposure Draft to amend IFRS 17; and
 - (iii) asks if there are any planned dissents at this stage.
 - (c) Agenda Paper 2C *Sweep issues*, which discusses additional stakeholder concerns relating to IFRS 17 (and IFRS 9) which have arisen in the project on the amendments to IFRS 17. In Agenda Paper 2C, the staff recommend that the effective date of proposed amendments should be aligned with the effective date of IFRS 17, so that entities would be required to apply IFRS 17, and any proposed amendments, for annual periods beginning on or after 1 January 2022. Entities would be permitted to apply IFRS 17, together with any proposed amendments, for earlier periods.
 - (d) Agenda Paper 2D *Annual improvements* which includes recommendations for other minor changes that would fall within the scope of the annual improvements process but could also be addressed in the Exposure Draft of proposed amendments to IFRS 17.

Next steps

10. If the Board gives the staff permission to begin the balloting process at this meeting, the staff plan to ask the Due Process Oversight Committee permission for a reduced comment period. The staff plan to ask the Board to set the comment period at its May 2019 meeting. At that meeting, the Board will also consider any additional sweep issues.
11. The staff expect that the Exposure Draft of proposed amendments to IFRS 17 will be published at the end of June 2019.