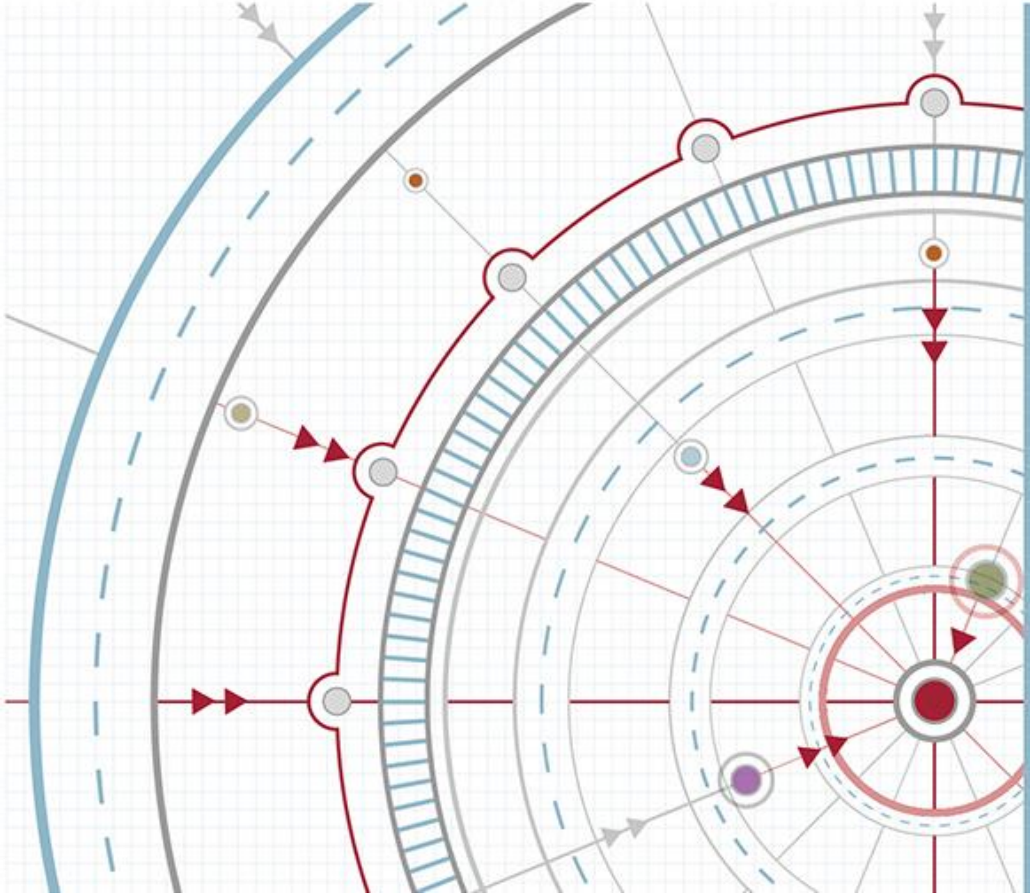

Amendments to IFRS 17

Outreach summary

Disclaimer

This paper has been prepared for discussion at a public meeting of the International Accounting Standards Board (Board) and does not represent the views of the Board or any individual member of the Board. Comments on the application of IFRS® Standards do not purport to set out acceptable or unacceptable application of IFRS Standards. Technical decisions are made in public and reported in IASB® *Update*.

Project	**Amendments to IFRS 17**		
Paper topic	Outreach summary		
Contacts	Roberta Ravelli	rravelli@ifrs.org	+44 (0) 20 7246 6935
	Chalani Mohotti	cmohotti@ifrs.org	+44 (0) 20 7246 6436
	Henry Rees	hrees@ifrs.org	+44 (0) 20 7246 6466

Purpose of this paper

- On 26 June 2019 the International Accounting Standards Board (Board) issued the Exposure Draft *Amendments to IFRS 17*
- The Exposure Draft was open for comments for 90 days
- During the 90-day comment period, Board members and staff conducted outreach across various jurisdictions
- The purpose of this Agenda Paper is to provide a summary of feedback on the Exposure Draft gathered during the outreach
- The staff plan to provide a summary of feedback from comment letters on the Exposure Draft at the November 2019 Board meeting
- No technical decisions are requested from the Board at this meeting
- The staff welcome any questions or comments on the outreach summary presented in this paper

Contents

1. Background

Background

- Outreach is an important part of the Board's due process because it enables Board members and staff to hear the views of stakeholders directly
- Some outreach took the form of round-table meetings or discussion forums with many participants and was organised in conjunction with national standard-setters and others

2. Who we talked to

Who we talked to

- Between July 2019 and September 2019 we met stakeholders in about 70 individual and group meetings in 14 jurisdictions. This included a series of discussion forums.
- The aim of the proposed amendments to IFRS 17 *Insurance Contracts* is to continue supporting implementation by reducing the costs of implementing the Standard and making it easier for entities to explain their results when they apply the Standard. The proposed amendments do not change the fundamental principles of the Standard or reduce the usefulness of information for investors. They also should not unduly disrupt implementation processes or unduly delay the effective date of IFRS 17.
- Hence, our outreach plan focused on entities issuing insurance contracts. Nonetheless, we also sought feedback from auditors, regulators, standard-setters and users of financial statements.

Who we talked to—Asia

- In China, we met representatives of insurers, auditors and regulators
- We attended stakeholder events in Hong Kong on 4-5 July 2019 organised in conjunction with the local standard-setter, the Hong Kong Institute of Certified Public Accountants (HKICPA). Participants included local insurers, auditors and regulators.
- In Japan, we met the General Insurance Association of Japan and the Life Insurance Association of Japan
- We held meetings with analysts and investors based in Hong Kong and Singapore
- We met some national standard-setters in Asia

Who we talked to—Americas

Canada

- We attended a stakeholder event in Toronto on 18 July 2019 organised in conjunction with the local standard-setter, the Accounting Standards Board (AcSB). Participants included local insurers, actuaries, auditors and regulators.
- We met representatives of Canadian insurers
- We have a regular dialogue with the AcSB and with the Canadian integrated regulator, the Office of the Superintendent of Financial Institutions (OSFI)

Who we talked to—Oceania

Australia

- We attended a stakeholder event in Sydney on 22 August 2019 organised in conjunction with the local standard-setter, the Australian Accounting Standards Board (AASB). Participants were members of the AASB Insurance Transition Resource Group and included local insurers, actuaries, auditors, prudential regulators and members of the Australian Taxation Office (ATO).
- We met representatives of Australian insurers
- We have a regular dialogue with the AASB and with the Australian insurance regulator, the Australian Prudential Regulation Authority (APRA)

Who we talked to—Africa

South Africa

- We met representatives of insurers based in South Africa
- We have a regular dialogue with the South African Standard-setter, the South African Institute of Chartered Accountants (SAICA)
- We attended several meetings organised by SAICA

Who we talked to—Europe

- We organised a stakeholder event in London on 20 September 2019 attended by insurers based in Germany, Italy, Spain and the UK and by one international bank
- We met the European Insurance CFO Forum and representatives of global insurers and banks based in Europe
- Those meetings supplemented the regular dialogue we have had with the EFRAG Technical Expert Group and with the EFRAG Insurance Accounting Working Group, which is made up of insurers, actuaries and auditors
- We discussed our proposals with representatives of the European Securities and Market Authority (ESMA)
- We held meetings with European analysts and investors
- We met some national standard-setters in Europe

Who we talked to—International bodies

- We discussed our proposals with international bodies as follows
- **Standard-setters**: through the Accounting Standards Advisory Forum (ASAF) and the Asian-Oceanian Standard-Setters Group (AOSSG)
- **Regulators**: through the International Association of Insurance Supervisors accounting and auditing working group (IAIS AAWG)
- **Actuaries**: through the International Actuarial Association (IAA)
- **Auditors**: through participation at meetings with accounting firms to discuss their global response to our proposals, as well as in webcasts organised by accounting firms to present our proposals
- **Users of financial statements**: through the Insurance Corporate Reporting Users Forum (CRUF)

3. Overview of feedback

General feedback from outreach

- Overall stakeholders expressed support for the Board considering concerns and implementation challenges raised since IFRS 17 was issued and proposing targeted amendments to IFRS 17
- However, some stakeholders think the Board should extend the scope of some of the proposed amendments
- In addition, some European stakeholders commented on:
  - the areas the Board considered and for which amendments to IFRS 17 were not proposed in the Exposure Draft
  - new implementation challenges those stakeholders had recently identified

IFRS® Foundation

4. Feedback on the specific questions on the Exposure Draft

IFRS®

Q1(a)—Scope exclusion for credit cards

✓ General agreement that the proposed scope exclusion for some credit cards would reduce implementation costs. Some concerns that the scope is too narrow

Supporting arguments

- ✓ Most stakeholders agreed that accounting for some credit cards meeting the definition of an insurance contract applying IFRS 9 *Financial Instruments* would:
  - provide useful information
  - avoid imposing IFRS 17 implementation costs on entities that typically do not need to apply IFRS 17

Findings and alternative suggestions

- × Some stakeholders were concerned that the reference to ‘credit cards’ is too specific and suggested developing a principle-based scope exclusion for banking contracts meeting the definition of an insurance contract, using credit cards as an example of those contracts
- × Some stakeholders were concerned that IFRS 9 would require entities to account for some credit card contracts captured by the proposed scope exclusion at fair value through profit or loss

Q1(b)—Scope exclusion for loans

✓ General agreement that the proposed scope exclusion for some loans would reduce implementation costs

Supporting arguments

✓ Most stakeholders agreed that accounting for some loans meeting the definition of an insurance contract applying either IFRS 17 or IFRS 9 would provide useful information and would reduce implementation costs

Findings and alternative suggestions

× A small number of stakeholders would prefer that an entity is required to apply IFRS 9, rather than IFRS 17, to those loans to ensure comparability between entities

Q2—Expected recovery of insurance acquisition cash flows

General agreement that the proposed amendment would help entities explain their results. However, some concerns that it would add complexity

Supporting arguments

✓ Many stakeholders agreed that allocating part of the insurance acquisition cash flows to expected contract renewals would help them explain their results to users of financial statements

Findings and alternative suggestions

× Some stakeholders were concerned that the proposed requirement to allocate part of the insurance acquisition cash flows to expected contract renewals, recognise those cash flows as an asset and assess the recoverability of the asset would increase the ongoing costs of applying IFRS 17

× Some stakeholders encouraged the Board to provide guidance on how to:
- allocate insurance acquisition cash flows to expected contract renewals; and
- recognise any asset at transition

Q3—Contractual service margin attributable to investment services

General agreement that services related to investment activities need to be considered for the recognition of the contractual service margin

Supporting arguments

- ✓ Many stakeholders agreed that the proposed amendment would provide useful information about revenue and profit generated by the service relating to investment activities an entity provides to policyholders

Findings and alternative suggestions

- × Some stakeholders expressed the view that the proposed criteria for when an investment-return service can exist are too narrow (for example, some stakeholders think the proposed amendment should also apply to some contracts without an investment component or a right to withdraw)
- × Some stakeholders were concerned about the complexity of identifying coverage units for contracts with multiple services

Q4—Reinsurance contracts held—recovery of losses

✓ **General agreement about the direction of the proposed amendment. Significant concerns about the scope of the amendment**

Supporting arguments

- ✓ Overall support that the requirements for accounting for reinsurance contracts held in IFRS 17 should be amended to reduce accounting mismatches that would arise when an entity recognises losses on insurance contracts at initial recognition and has a right to recover some of or all those losses through reinsurance

Findings and alternative suggestions

- × Most stakeholders expressed the view that the population of reinsurance contracts to which the proposed amendment would apply is too narrow (for example, some stakeholders think the proposed amendment should also apply to excess loss reinsurance contracts held)
- × Some stakeholders observed that the proposed accounting for proportionate reinsurance contracts held would be different from general principles in IFRS Standards

Q5—Presentation in the statement of financial position

✓ General agreement that the proposed amendment would reduce implementation costs

Supporting arguments

- ✓ Most stakeholders agreed that presenting insurance contract assets and insurance contract liabilities in the statement of financial position using portfolios of insurance contracts rather than groups of insurance contracts would reduce implementation costs

Findings and alternative suggestions

- × A small number of stakeholders would prefer that insurance contract assets and insurance contact liabilities are presented in the statement of financial position at an entity level (rather than at portfolio level)

Q6—Applicability of the risk mitigation option

General agreement that the proposed amendment would reduce accounting mismatches

Supporting arguments

✓ Most stakeholders agreed with the proposal to extend the applicability of the risk mitigation option to reinsurance contracts held. They agreed this would reduce accounting mismatches that might arise for changes in financial risk recognised in profit or loss for assets for reinsurance contracts held, whereas changes in the underlying insurance contracts with direct participation features are recognised by adjusting the contractual service margin when applying the variable fee approach

Findings and alternative suggestions

× Some stakeholders would prefer that the risk mitigation option applies to all financial instruments used for risk mitigation purposes accounted for at fair value through profit or loss (rather than only derivatives and reinsurance contracts held)

Q7(a)—Effective date of IFRS 17

General agreement that the deferral of the effective date of IFRS 17 by one year would not unduly disrupt implementation

Supporting arguments

- ✓ Stakeholders, including users of financial statements, did not oppose the deferral of the effective date of IFRS 17 by one year
- ✓ Some insurance entities said that deferring the effective date of IFRS 17 by more than one year would cause them significant additional implementation costs

Findings and alternative suggestions

- × Some stakeholders suggested deferring the effective date of IFRS 17 by two years to allow entities more time for implementation
- × Some stakeholders suggested setting different effective dates for larger entities and smaller entities (for example, 2022 for larger entities and 2024 for smaller entities)

Q7(b)—IFRS 9 temporary exemption in IFRS 4

General agreement that delaying the implementation of IFRS 9 for another year would continue to help reducing costs and mismatches for some entities

Supporting arguments

- ✓ Many stakeholders agreed that the proposal to continue to enable some insurance entities to first apply IFRS 17 and IFRS 9 at the same time would reduce IFRS 9 implementation costs and accounting mismatches for those entities

Findings and alternative suggestions

- × Some insurance entities do not consider the alignment between the effective date of IFRS 17 and the effective date of IFRS 9 to be essential (for example, entities holding financial assets mainly at fair value through profit or loss)
- × Some users of financial statements and regulators were concerned about further delaying improved information about expected credit losses by insurance entities who are significant holders of financial assets

Q8(a)—Transition reliefs for business combinations

General agreement that the proposed amendment would reduce implementation costs

Supporting arguments

- ✓ Most stakeholders agreed that permitting an entity to account for liabilities for claims settlement acquired in a business combination before the date of transition to IFRS 17 as a liability for incurred claims, rather than as a liability for remaining coverage, would make transition to IFRS 17 easier

Findings and alternative suggestions

- × Many stakeholders would prefer extending the proposed relief to liabilities for claims settlement acquired in a business combination after the date of transition to IFRS 17 to enable a continuation of many existing insurance accounting practices for accounting for business combinations
- × A small number of stakeholders asked for clarification that the proposed amendment would apply to both business combinations and portfolio transfers

Q8(b-c)—Transition reliefs for the risk mitigation option

✓ General agreement that the proposed amendments would reduce implementation costs

Supporting arguments

✓ Most stakeholders agreed that the two proposed transition reliefs regarding the use of the risk mitigation option would be helpful additional reliefs. Those reliefs would reflect:

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

Findings and alternative suggestions

× Some stakeholders would prefer replacing the proposed reliefs with the possibility to apply the risk mitigation option retrospectively for all previously documented risk management strategies

Other questions in the Exposure Draft

Q9—Minor amendments

- **Eligibility for the variable fee approach**—For consistency with the wording of the requirements in paragraph B101 of IFRS 17, the Exposure Draft includes an editorial correction to paragraph B107 of IFRS 17 to specify that an entity assesses contracts eligible for the variable fee approach at individual contract level. Some stakeholders view this editorial correction as a major change in the requirements of IFRS 17.

Q10—Terminology

- Stakeholders expressed mixed views about possible terminology changes (for example, replace ‘coverage’ with ‘service’ in the term ‘coverage units’)

IFRS® Foundation

5. Other feedback

IFRS®

Other feedback

- **Interim financial reporting**—Many stakeholders were concerned about the effects of the requirement in paragraph B137 of IFRS 17 that an entity should not change the treatment of accounting estimates made in previous interim financial statements when applying IFRS 17 subsequently. They noted this requirement will result in a different calculation of the contractual service margin depending on whether and how frequently an entity prepares interim financial reports as defined in IAS 34 *Interim Financial Reporting* and may:
  - impair comparability between entities
  - force entities to maintain a separate set of books for interim reports that do not meet the definition of an interim financial report in IAS 34
- **Annual cohorts**—Some European stakeholders think the annual cohort requirement in IFRS 17 is costly to apply and, for some specific contracts, does not provide useful information

Get involved

Find out more: www.ifrs.org

Follow us:

@IFRSFoundation

IFRS Foundation
International Accounting Standards Board

IFRS Foundation

IFRS Foundation

Join our team: go.ifrs.org/careers