

International Financial Reporting Standards



Insurance contracts

ASAF meeting, December 2014

The views expressed in this presentation are those of the presenter, not necessarily those of the IASB or IFRS Foundation.

Update and reminder of previous ASAF discussions: non-participating contracts

ASAF Discussion Topic	Related IASB decisions
September 2013 Overview of ED proposals	<ul style="list-style-type: none">• NA
March 2014	
The basis for the optional use of OCI	<ul style="list-style-type: none">• Effect of changes in discount rates presented in either profit and loss or in OCI as accounting policy choice for contracts within a portfolio
Unlocking for risk adjustment and reversal of losses	<ul style="list-style-type: none">• CSM adjusted for changes between current and previous estimates of the risk adjustment and the present value of future cash flows• Recognise favourable changes in estimates in profit or loss to the extent that they reverse losses that relate to future services
The presentation of insurance contracts revenue and expense	<ul style="list-style-type: none">• An entity should present revenue as earned and expenses as incurred in the statement of comprehensive income. Revenue excludes investment components.• Presentation of premium information in the statement of comprehensive income prohibited if that information is not consistent with commonly understood notions of revenue.

Update and reminder of previous ASAF discussions: transition

ASAF Discussion Topic	Related IASB decisions
September 2014	
<p>Transition requirements:</p> <ul style="list-style-type: none">• Retrospective application• Simplifications• The third approach for when simplifications are impracticable	<ul style="list-style-type: none">• An entity should apply the Standard retrospectively in accordance with IAS 8 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i> unless impracticable• If retrospective application is impracticable, an entity should apply a simplified approach. The simplified approach modifies the approach proposed in the 2013 ED to better approximate the risk adjustment at the date of transition.• If the simplified approach is impracticable, an entity should apply a ‘fair value approach’ for determining contractual service margin at the date of transition.• An entity should provide transition disclosures separately for the contracts measured using each of the three transition approaches in each period presented for which there are contracts that were measured using those approaches.

Update and reminder of previous ASAF discussions: participating contracts

ASAF Discussion Topic	Related IASB decisions
June 2014	
Contracts with participating features: <ul style="list-style-type: none">• Desirability of separate model for contracts with participating features• Adjusting the CSM for the entity's share of returns from underlying items• Accounting for changes in the value of options and guarantees embedded in insurance contracts	<ul style="list-style-type: none">• The IASB has yet to conclude on the accounting for contracts with participating features. At its November meeting, the IASB plans to hold an education session in which representatives of the European CFO Forum will present their alternative proposals for contracts with participating features.
September 2014	
Contracts with participating features: <ul style="list-style-type: none">• Scope of any adaptations to the model for contracts with no participating features• Shareholders' share as an implicit fee• Release pattern of the CSM• Determining interest expense by using book yield approach or effective yield approach	