STAFF PAPER

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Project	**Insurance contracts**		
Paper topic	Presentation and disclosures for insurance contracts		
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This paper has been prepared for discussion at a public meeting of the IASB and does not represent the views of the IASB or any individual member of the IASB. Comments on the application of IFRSs do not purport to set out acceptable or unacceptable application of IFRSs. Technical decisions are made in public and reported in IASB *Update*.

Purpose of the paper

1. This paper considers presentation and disclosures requirements for insurance contracts, in the light of developments since publishing the 2013 Exposure Draft *Insurance Contracts* (the 2013 ED) in particular:

   (a) the IASB's decisions for the accounting for insurance contracts with direct participation features (ie the 'variable fee approach');

   (b) the IASB's decision to modify the presentation of the interest expense in Other Comprehensive Income (OCI); and

   (c) the publication of IFRS 15 *Revenue from Contacts with Customers* in May 2014.

2. In addition, the staff considers disclosures overall in response to the feedback received:

   (a) from preparers –that the disclosures proposed in the 2013 ED are excessively detailed and onerous to apply (see AP2A *Outreach and comment letter analysis* for the January 2014);

   (b) from users of financial statements –in respect of their information needs (see AP2B *Feedback of users of financial statements* for the January 2014).

3. In April 2014 the IASB considered and made tentative decisions relating to the specific comments on presentation and disclosures proposed in the 2013 ED. These tentative

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decisions are described in Appendix A and the staff does not consider them further in this paper.

4. The staff expect to consider any disclosures needed as a result of the remaining tentative decisions to be made in this project at a future meeting.

Staff recommendation

5. The staff recommend that the IASB:

   (a) confirm the 2013 ED proposals related to presentation of line items relating to insurance contracts in the financial statements; and

   (b) confirm the IASB's previous tentative decisions about disclosures proposed in the 2013 ED and in subsequent redeliberations, with the following changes:

      (i) to require an entity that measures contracts using the variable approach and recognises changes in the guarantee in profit or loss to disclose the amount of the contractual service margin with and without the cumulative amount of the guarantee recognised in profit or loss;

      (ii) to require an entity that chooses to disaggregate interest expense into an amount presented in profit or loss and an amount presented in OCI to disclose:

         1. an explanation of the method that an entity uses to calculate the cost information presented in profit or loss;

         2. if the entity uses simplified approach at transition to measure the accumulated balance of OCI at zero, to require:

            a. an entity to designate financial assets as relating to contracts within the scope of the new insurance contracts Standard at the date of transition;

            b. to disclose at the date of transition and in each subsequent reporting period, a reconciliation from the opening to closing balance of the accumulated balance of OCI for those financial assets.

      (iii) to require an entity to disclose:

1. changes in the fulfilment cash flows that adjust the contractual service margin;
2. an explanation of when the entity expects to recognise the remaining contractual service margin in profit or loss either on a quantitative basis using the appropriate time bands or by using qualitative information; and
3. the amounts in the financial statements determined at transition using simplified approaches, both on transition and in subsequent periods.

(iv) To delete the proposed requirements that an entity should:

1. reconcile revenue recognised in profit or loss in the period to premiums received in the period (paragraph 79 of the 2013 ED); and
2. disclose an analysis of the total interest expense between profit or loss and OCI (tentative decision from March 2015).

(v) To require an entity to disclose any practical expedients that an entity used.

Content of this paper

6. This paper discusses:

(a) The presentation of line items in the financial statements in paragraphs 8-28, in particular the need for separate line items related to contracts measured using the variable fee approach.

(b) Disclosures relating to insurance contracts in paragraphs 29-52.

7. This paper is accompanied by Appendices as follows:

(a) Appendix A includes the comments received on the 2013 ED that the IASB tentatively decided in April 2014 not to consider further.

(b) Appendix B shows where the proposals in the 2013 ED would be amended based on the following:

(i) The tentative decisions of the IASB since the 2013 ED; and

(ii) The recommendations in this paper.

Presentation: line items for insurance contracts in the financial statements

Background: IAS 1 and the 2013 ED

8. IAS 1 *Presentation of Financial Statements* prescribes the basis for preparation of general purpose financial statements to ensure comparability both with the entity's financial statements of previous periods and with the financial statements of other entities. IAS 1 sets out overall requirements for the presentation of financial statements, guidelines for their structure and minimum requirements for their content. Specific IFRS may consider additional requirements.

Statement of financial position

9. Paragraph 54 of IAS 1 lists items that are sufficiently different in nature or function to warrant separate presentation in the statement of financial position. It does not include specific line items related to insurance contracts. Paragraph 57 of IAS 1 further states that:
   (a) line items should be included when the size, nature or function of an item or aggregation of similar items is such that separate presentation is relevant to an understanding of the entity's financial position; and
   (b) the description used and the ordering or aggregation of similar items may be amended according to the nature of the entity and its transactions, to provide information that is relevant to an understanding of the entity's financial position.

10. The 2013 ED proposed that an entity should present as a separate line item in the statement of financial position (with appropriate amendment of paragraph 54 of IAS 1):
    (a) insurance contracts in an asset position from those in a liability position; and
    (b) reinsurance contracts separately from insurance contracts. The 2013 ED also proposed that an entity should not offset gains and losses from insurance and reinsurance contracts.

11. The basis for conclusions explains the reasons for these proposals, as follows:

(a) the IASB believes that insurance contracts and reinsurance contracts are sufficiently distinct to warrant separate presentation in the statement of financial position.

(b) the requirement not to offset insurance contracts with reinsurance contracts is consistent with IASB's view that a reinsurance contract is separate from the underlying contract. The IASB noted that IAS 32 *Financial Instruments: Presentation* establishes a principle to determine when an entity should offset a financial liability against financial asset. Reinsurance assets would rarely, if ever, meet the criteria for applying this principle.

Statement of comprehensive income

12. Paragraph 82 of IAS 1 requires specific line items in profit or loss, in addition to items required by other IFRS. The line items that are relevant to presentation of the statement of comprehensive income for insurance contracts are:

    (a) Revenue; and

    (b) Finance costs.

13. In addition, IAS 1 requires separate presentation of interest revenue calculated using the effective interest method.

14. The 2013 ED did not propose to require any additional separate line items for insurance contracts in the profit or loss statement. However, at its March 2015 meeting the IASB tentative decided that an entity should be prohibited from presenting premium information in the statement of comprehensive income if that information is not consistent with commonly understood notions of revenue.

15. Paragraph 7 of IAS 1 specifies that other comprehensive income comprises of income and expense (including reclassification adjustments) that are not recognised in profit or loss as required or permitted by other IFRSs. Furthermore, it specifies the components of other comprehensive income. The 2013 ED proposed to amend the paragraph IAS 1 to include the gains and losses from contracts within the scope of the forthcoming insurance contracts Standard.

16. Paragraph 85 of IAS 1 states that an entity shall present additional line items, headings and subtotals in the statement(s) presenting profit or loss and other comprehensive

income when such presentation is relevant to an understanding of the entity's financial performance.

Staff analysis

17. The following paragraphs discuss whether there is a need for separate line item in the statement of financial position relating to contracts with direct participation features, specifically:
    - (a) The insurance contracts for which the contractual service margin is determined using the variable fee approach in paragraphs 18-20; and
    - (b) the adjustment to the insurance contract (more specifically the contractual service margin) that occurs when an entity chooses to recognise in profit or loss the changes in the value of a guarantee embedded in the insurance contract measured using the variable fee approach – in paragraphs 21-28.

Insurance contracts for which contractual service margin is determined using the variable fee approach

18. At its June 2014 meeting the IASB tentatively decided that an entity should apply the variable fee approach for insurance contracts with direct participation features. An entity applying the variable fee approach would adjust the contractual service margin by changes in the estimate of the fee that the entity expects to earn from the contract. The fee for service that the entity expects to earn from the contract is considered to be equal to the entity's expected share of the returns on underlying items, less expected cash flows that do not vary directly with the underlying items. In the general measurement model changes in underlying items held by the entity are not regarded as a fee for service.
19. Because the variable fee approach measures insurance contracts differently from the general model, the staff considers whether the IASB should require the entity to present contracts measured using the variable fee approach in a separate line item from other insurance contracts.
20. The staff recommend the IASB do not require separate line items for contracts measured using the variable fee approach because:
    - (a) the defining feature of contracts measured under both the variable fee approach and the general model is the presence of significant insurance risk.

Thus the staff believe that all insurance contracts could be presented in one line item in the statement of financial position because those contracts are not always sufficiently distinct to warrant separate presentation in the statement of financial position. However, as noted in paragraph 9, IAS 1 permits an entity to present separate line items when the nature or function of an item is different and therefore such separate presentation is relevant to an understanding of the entity's financial position.

(b) although paragraph 59 of IAS 1 states that the use of different measurement bases for different classes of assets suggests that their nature or function differs (and, therefore, an entity presents them as a separate line items), IAS 1 does not *require* financial assets or financial liabilities measured on different bases to be presented as separate items.

(c) specific features of those contracts, if any, might be explained in the notes to the financial statements.

Recognising changes in the value of a guarantee in profit or loss

21. At its September 2015 meeting the IASB tentatively decided that if an entity uses the variable fee approach to measure insurance contracts and uses a derivative measured at fair value through profit or loss to mitigate the financial market risk from the guarantee embedded in the insurance contract, the entity is permitted to recognise the changes in the value of the guarantee embedded in an insurance contract in profit or loss instead of in the contractual service margin.

22. This accounting approach changes the contractual service margin that would otherwise have been determined and therefore results in different carrying amount for the insurance contract liability. Consequently, there would be a lack of comparability between insurance contracts, depending on whether the entity elects to present changes in the value of the guarantee in profit or loss or not. Some suggest that this lack of comparability could be made transparent if an entity were to present, either separately in the statement of financial position or disclosed in the notes, the accumulated adjustment to the contractual service margin explained in paragraph 21.

23. The staff note that presenting a separate line item for the accumulated adjustment to the contractual service margin when an entity recognises changes in the value of the guarantee in profit or loss would:

(a) maintain consistency of measurement of the insurance contract liability by entities irrespective of whether or not they engage in risk mitigation activities and elect to present changes in the value of the guarantee in profit or loss (thus similar insurance contracts would always result in similar liability measurement); and

(b) allow users of financial statements to assess more easily the extent and effect of the entity's risk mitigation activities, including understanding that effect on future periods.

24. However, the staff note that the IASB considered a similar issue in hedge accounting and decided not to require separate line item but require disclosure of such amounts instead.

25. In particular, the 2010 *Hedge Accounting* Exposure Draft proposed presenting the measurement adjustment from applying fair value hedge accounting in a separate line item in the statement of financial position. The IASB proposed this presentation because it would provide useful information about the effects of hedge accounting, and would mitigate the effect of applying a mixed measurement model to the hedged item[1].

26. However, the IASB ultimately rejected this approach because of the concern expressed by stakeholders that this could increase the number of line items in the statement of financial position and therefore the financial statement would appear too cluttered[2]. Instead, the IASB required an entity to disclose in the notes the adjustment resulting from applying fair value hedge accounting.

27. The staff believe that similar considerations are relevant when an entity presents the accumulated amount of changes in the value of the guarantee recognised in profit or loss instead of the contractual service margin. Consequently, the staff believe that disclosure of this amount is sufficient to enable users of financial statements to determine the contractual service margin that would have arisen if the changes in the value of the guarantee had been adjusted against the contractual service margin and therefore allow to compare contracts that use the measurement exception and those that do not. The staff

[1] Such mixed measurement could occur because for example when the risk component of the financial instrument is measured at fair value but the whole financial instrument is measured at amortised cost.

[2] The staff also observes that, according to IAS 1 an entity could present additional line items when such presentation is relevant to an understanding of the entity's financial position.

note that this information could be disclosed as part of the reconciliation of the contractual service margin.

28. Accordingly, the staff recommends the IASB to confirm presentation requirements for insurance contracts proposed in the 2013 ED.

Question 1: Presentation in the financial statement
Does the IASB agree: a. to confirm the 2013 ED proposals related to presentation of line items relating to insurance contracts in the financial statements? b. to require an entity that measures contracts using the variable approach and recognises changes in the guarantee in profit or loss, disclose the amount of the contractual service margin with and without the cumulative amount of the guarantee recognised in profit or loss?

Disclosures

Disclosure principles

29. Paragraph 69 of the 2013 ED states that the objective of the disclosure requirements is to enable users of financial statements to understand the nature, amount, timing and uncertainty of future cash flows that arise from insurance contracts. To achieve this objective, the 2013 ED requires an entity to disclose qualitative and quantitative information about:

    (a) The amounts recognised in its financial statements that arise from insurance contracts;

    (b) The significant judgements, and changes in those judgements, made when applying the Standard; and

    (c) The nature and extent of the risks that arise from insurance contracts.

30. Paragraph BCA227 of the 2013 ED further explains that the principle of the disclosures is supplemented with the specific disclosure requirements designed to help the entity to satisfy that principle. In addition, paragraph 70 of the 2013 ED states that if any required disclosures are not considered relevant in meeting the objective, they may be omitted in the financial statements.

31. The staff does not propose to revisit the disclosure principles. However, the following paragraphs consider the need for disclosures arising from:

    (a) tentative decisions since the 2013 ED such as related to the presentation of interest expense in OCI in paragraphs 33-41; and

    (b) the publication of IFRS 15 *Revenue from Contacts with Customers* in paragraphs 42-48.

32. The staff also considers disclosures overall to respond to the feedback from preparers and users of financial statement in paragraphs 49-52.

Tentative decisions since the 2013 ED: Background

33. The staff has reviewed the disclosure requirements related to presentation of interest expense in OCI, in the light of the following tentative decisions taken since the 2013 ED:

    (a) The accounting policy choice for an entity to present the effect of discount rate changes in OCI or in profit or loss (paragraphs 34-35);

    (b) The tentative decisions relating to the presentation of insurance investment expense for contracts with participation features (paragraphs 36 and 40); and

    (c) The simplification for determining the insurance investment expense and accumulated balance of OCI using the cost basis on first application of the new insurance contracts standard (paragraphs 37 and 41).

Accounting policy choice

34. The 2013 ED proposed that an entity would be *required* to disaggregate the interest expense between profit or loss and OCI. However, at its March 2014 meeting the IASB tentatively decided that for contracts without participation features, an entity should choose to present the effect of changes in discount rates in profit and loss or in OCI as its accounting policy and should apply that accounting policy to all contracts within a portfolio. In addition, the IASB tentatively decided that an entity should disclose the following information:

    (a) For *all portfolios of insurance contracts*: an analysis of total interest expense included in total comprehensive income disaggregated at a minimum into:

(i) the amount of interest accretion determined using current discount rates;

(ii) the effect on the measurement of the insurance contract of changes in discount rates in the period; and

(iii) the difference between present value of changes in expected cash flows that adjust the contractual service margin in a reporting period when measuring using discount rate that applied on initial recognition of insurance contracts, and the present value of changes in expected cash flows that adjust the contractual service margin when measured at current rates.

(b) For *portfolios of insurance contracts for which the effect of changes in discount rates are presented in other comprehensive income*: an analysis of total interest expense included in total comprehensive income disaggregated at a minimum into:

(i) interest accretion at the discount rate that applied at initial recognition of insurance contracts reported in profit or loss for the period; and

(ii) the movement in other comprehensive income for the period.

35. The staff notes their intent at the March 2014 meeting that those proposed disclosures would be reconsidered when the IASB decides on the presentation of interest expense for contracts with participation features.

Contracts with participation features

36. At its September 2015 meeting, the IASB tentatively decided:

(a) to specify that, for all insurance contracts, the objective of disaggregating changes in the insurance contract arising from changes in market variables between profit or loss and other comprehensive income (OCI) is generally to present an insurance investment expense in profit or loss using a cost measurement basis (eg the effective yield approach). The IASB tentatively decided to not specify detailed mechanics for the determination of the insurance investment expense using a cost measurement basis.

(b) for contracts in which there is no economic mismatch between the insurance contract and the related items (for example, the assets and the liabilities) held

by the entity, the objective should be modified to require an entity to present insurance investment expense in a way that eliminates accounting mismatches in profit or loss between the insurance investment expense and the items held that are measured using a cost measurement basis in profit or loss (ie the current period book yield approach).

(c) that an entity should disclose when it is required to change between the effective yield approach and the current period book yield approach (and vice versa).

Transition simplification

37. In addition, at its September 2015 meeting the IASB tentatively decided to simplify the approach for determining the insurance investment expense (and accumulated balance of OCI) using the effective yield approach on first application of the new insurance contracts Standard if retrospective application is impracticable. As a result, on the date when the entity first applies the new Standard, the accumulated balance of OCI for the insurance contract is zero and the interest expense recognised in profit or loss after transition date would not take into account any effect of changes in market variables prior transition period. Accordingly, if an entity has insurance contracts and assets of the same origination date and the discount rates have fallen since that date, such accounting would result in:

(a) gains in accumulated OCI for assets measured at FVOCI and lack of similar losses in accumulated OCI for insurance liabilities at transition (because those losses are recognised directly in equity), and

(b) the investment gains from the assets and lack of similar investment expenses for the insurance liabilities after transition.

Tentative decisions since the 2013 ED: Staff analysis

Accounting policy choice

38. The staff notes that in March 2014 the IASB tentatively decided to add a reconciliation that disaggregates interest expense into the amount recognised in profit or loss and the amount recognised in OCI (see paragraph 34(b)) so that the total interest expense would be disclosed in a single location in the notes. It was intended to allow users of financial

statements to compare amounts between an entity that chooses an accounting policy to present the effect of changes in discount rates in OCI with an entity that chooses an accounting policy to present those changes in profit or loss.

39. However, the staff observes that this analysis does not provide new information but rather organises differently information that would already be provided in the financial statements (as noted in paragraph 15, the 2013 ED proposed separate line item in OCI for gains and losses resulted from the insurance contracts). Furthermore the staff notes that amount presented for each component of that reconciliation will depend upon the order in which the calculations are performed. Accordingly, the staff recommend that the IASB does not require the disclosure in paragraph 34(b).

Contracts with participation features

40. Paragraph 36 notes that in September 2015 the IASB tentatively decided to not specify detailed mechanics for the determination of the insurance investment expense using a cost measurement basis. Accordingly, entities may use different methods to achieve the objective of a cost-based measurement. To provide transparency about the method used, and to enable users of financial statements to assess the comparability of information, the staff propose that the IASB should add a requirement to disclose an explanation of the method that an entity uses to calculate cost information presented in profit or loss.

Transition simplification

41. As noted in paragraph 37, in September 2015 the IASB decided to simplify the determination of insurance investment expense and the accumulated balance of OCI on first application of the new insurance contracts Standard[3] by measuring the accumulated balance of OCI at zero. The staff note that one of the disadvantages of this simplification is that in periods after initial application of the new insurance contracts Standard, an entity would recognise no amounts in profit or loss that arise from the recycling of amounts from OCI relating to insurance contracts held at the date of initial application. However, the entity would recognise amounts in profit or loss arising from the recycling of amounts from OCI relating to any investments the entity holds at that date. Accordingly, the staff propose that an entity should disclose gains and losses on the investment that are associated with related gains and losses on the insurance contract.

[3] The simplified approach would be applied if retrospective application is impracticable.

Consequently, the staff recommend that an entity should disclose information about the accumulated balance of OCI relating to assets that are designated as relating to insurance contracts at the beginning and end of each reporting period, and the changes in those amounts during reporting period.

Publication of IFRS 15: Background

42. IFRS 15 focuses on the measure of revenue for the period. Consequently, disclosures in IFRS 15 focus on explaining the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. To achieve this objective IFRS 15 requires an entity to disclose quantitative and qualitative information about all of the following:

    (a) Its contracts with customers;

    (b) The significant judgements, and changes in the judgements, made in applying this Standard to those contracts;

    (c) Any assets recognised from the costs to obtain or fulfil a contract with a customer.

Publication of IFRS 15: Staff analysis

43. The proposals in the 2013 ED are consistent with the core principle of IFRS 15 *Revenue from Contracts with Customers*. In both documents, the statement of financial position reports the contract asset or contract liability, and the statement of profit or loss and other comprehensive income reports the progress towards satisfaction of the performance obligations in the contract:

    (a) IFRS 15 establishes the amount of revenue that has been recognised each period and adjusts the contract asset or contract liability at the start of the period by the amount of revenue recognised to measure the contract asset or contract liability at the end of the period; and

    (b) The 2013 ED proposes a measurement model that would establish the contract position at the start and end of the reporting period. The amount of insurance contract revenue presented is measured by reference to these two measurements.

44. However, the staff note that for insurance contracts, the disclosures focus on the nature, amount, timing and uncertainty of future cash flows related to insurance contracts. In addition, the revenue proposed in the 2013 ED for insurance contracts recognised in a period is not estimated by an entity directly but rather based on the change in the value of insurance contract from the opening to closing balance. Consequently, the 2013 ED proposed that entities would disclose the following information:

   (a) A reconciliation that shows how the carrying amounts of the balance of the insurance contracts is affected by cash flows and income and expenses recognised in profit or loss and other comprehensive income. Therefore, in this disclosure an entity will explain how revenue recognised in a period would related to the insurance contract balance recognised in the financial statement.

   (b) Inputs that are used when determining the revenue for insurance contracts recognised in the profit or loss for the current period, such as:

      (i) The expected cash outflows for the period, excluding investment component;

      (ii) The acquisition costs that are allocated to the period;

      (iii) The change in the risk adjustment in the period[4]; and

      (iv) The amount of the contractual service margin recognised in a period.

45. The staff believe that this information will allow users of financial statements to understand how revenue is influenced by the insurance contract obligation and therefore which uncertainties related to insurance contract obligation apply to revenue related to insurance contracts. As a result, the staff recommend the IASB confirm these disclosures.

46. The staff identified that IFRS 15 requires disclosure of information about practical expedients which was not proposed in the 2013 ED for insurance contracts. The 2013 ED proposed practical expedients only for the simplified measurement of the liability for remaining coverage (using the premium allocation approach set out in paragraphs 38–40 of the 2013 ED), as follows:

[4] The staff note that at its meeting in XX the IASB tentatively decided that changes in the risk adjustment related to future coverage and other services would adjust the contractual service margin. This tentative decision will affect the amount of revenue recognised in a period.

(a) Measurement: an entity may use the premium allocation approach if the coverage period of the insurance contract at initial recognition (including coverage arising from all premiums within the contract boundary) is one year or less;

(b) Acquisition costs: an entity may elect to recognise the directly attributable acquisition costs as an expense when it incurs those costs, provided that the coverage period at initial recognition is one year or less.

(c) Adjustment for the time value of money:

    (i) the entity need not adjust future cash flows for the time value of money if those cash flows are expected to be paid or received in one year or less.

    (ii) the entity need not adjust the liability for the remaining coverage to reflect the time value of money if the entity expects, at contract inception, that the time between the entity providing each part of the coverage and the due date for the premium that relates to that part of the coverage is one year or less.

47. The staff recommends that an entity should be required to disclos information about the practical expedients used applying the forthcoming insurance contracts Standard to be consistent with the requirements of IFRS 15.

48. The staff plan to review consistency with the wording used in IFRS 15, and subsequent IASB publications, in drafting.

Overview of disclosures

Information needs of users of financial statements

49. As noted in AP 2B *Feedback of users of financial statements* for the January 2014 most users of financial statements emphasised the importance of disclosures. The staff considers the information needs noted in this paper in context of disclosures proposed by the IASB[5]:

[5] Please see Appendix B for disclosures proposed in 2013 ED, tentative decisions since publication of the 2013 ED and recommended changes in this paper.

(a) Many users supported disclosure of the reconciliation of changes in the balance sheet amounts and amounts recognised in the statement of comprehensive income. They stated that this would be of particular importance for understanding changes related to expected cash flows that are accounted for as a change in the contractual service margin. The staff note that the IASB proposed to require reconciliation of the contract balances in paragraph 76 of the 2013 ED however it does not require information about the amounts of the fulfilment cash flows that are offset in the contractual service margin.

(b) Many users of financial statements supported disclosures about the assumptions used in the measurement and the sensitivity of the results to changes in those assumptions. The staff note that the IASB proposed such disclosures in paragraphs 83–94 of the 2013 ED.

(c) Many users of financial statements supported disclosures at a granular level because they would provide more information about different businesses. A few proposed that there should be a standardised way of providing more detailed information (based for example on the type of risk). However others noted that, for different entities, different reconciliations might provide more relevant information (for example for some entities the reconciliations would be most relevant based on geographic region). Paragraphs 71-72 of the 2013 ED proposed that an entity should consider the appropriate level of aggregation and provided geographical area as an example.

(d) Many users of financial statements think that it is important to understand the pattern of recognition of the contractual service margin in profit or loss. They would like to know how the contractual service margin is expected to be recognised in profit or loss in future. This is because such information would be helpful in assessing future profitability. Such information is not currently required in the forthcoming insurance contracts Standard.

(e) Most users of financial statements emphasised the need for both the information provided by the summarised margin presentation (changes in margins resulted from the liability measurement) and the information about activity measures such as volume information. The staff note that the IASB proposed to require revenue to be presented in the statement of financial

position, information about new business disclosed in paragraph 81(b) of the 2013 ED and margin information to be disclosed in paragraph 76 of the 2013 ED.

(f) Many users of financial statement stated that additional information is needed when an entity measures amounts using the simplified retrospective approach at transition. This is because such amounts would not be fully comparable with amounts determined if the entity had applied the Standard retrospectively. Consequently they think it is important to explain the assumptions and simplifications used and disclose the amounts in the financial statements determined using those simplifications, both on transition and in subsequent periods. The staff note that 2013 ED requires information about the assumptions used in estimating amounts using simplified approach in paragraph C8 of the 2013 ED however it does not require to disclose those amounts at transition and after transition.

50. The staff recommends that the IASB should add requirements for entities to disclose the information that users of financial statement state they find useful. Specifically, the staff recommends that the IASB add requirements to disclose:

(a) The changes related to changes in the fulfilment cash flows that are accounted for as a change in the contractual service margin, provided that the entity does not apply the variable fee approach. The staff note that when an entity applies the variable fee approach, the contractual service margin is determined by reference to the fair value of the underlying items which means that an entity does not adjust margin separately for the changes in cash flows and interest accretion separately.

(b) an explanation of when the entity expects to recognise the carrying amount of the contractual service margin is expected to be recognised in profit or loss either on a quantitative basis using the time bands that would be most appropriate or by using qualitative information.

(c) the amounts in the financial statements determined at transition using simplified approach, both on transition and in subsequent periods.

Burden on preparers of financial statements

51. Some preparers note the general concern that the disclosures proposed in the 2013 ED, taken as a whole, would be excessively detailed and onerous to apply (see AP 2A *Outreach and comment letter analysis* for the January 2014).

52. In reviewing the proposed disclosure requirements, the staff observed that the requirements proposed in previous sections would contribute to the volume of disclosures. Consequently, the staff considered if there are any disclosures that could be deleted. The staff observes:

    (a) The reconciliation from the premiums received in the period to the insurance contract revenue recognised in the period required in the paragraph 79 of the 2013 ED. This information was proposed because the IASB wanted to explain how the revenue proposed in the 2013 ED differs from known metrics. The staff believe that such information would be already provided in the reconciliation of the insurance contract balance required in paragraph 73 of the 2013 ED. Consequently, the staff recommends that this disclosure be deleted.

    (b) An analysis of total interest expense included in total comprehensive income disaggregated at a minimum into interest accretion reported in profit or loss for the period and the movement in other comprehensive income for the period. As noted in paragraph 39, the staff recommend that this disclosure be deleted.

    (c) the analysis of total interest expense into the effect of changes in discount rates and other changes (see paragraph 34(a)) would provide limited information for the contracts to which the current period book yield approach could be applied. This is because the effect of changes in discount rate is relevant only when those effects result in economic mismatch because of the difference in financial market risk between the insurance contract and the underlying, and the current period book yield approach is applied only when there is no economic mismatch with the underlying items.[6] Accordingly, the staff recommend that disclosure of an analysis of total interest expense included in total comprehensive income into an amount of interest accretion determined using a current discount rate, and effect of changes in discount rate in the period (ie the

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[6] The staff note that paragraph 94 of the 2013 ED requires disclosure of the sensitivity analysis for each type of the market risk that arises from embedded derivatives that are embedded in the insurance contracts.

disclosure in paragraph 34(a) should not be required when entity applies the current period book yield approach.

Question 2: Disclosures

Does the IASB agree to confirm the disclosures proposed in the 2013 ED, with the following changes:

(a) to require an entity that measures contracts using the variable approach and recognises changes in the guarantee in profit or loss to disclose the amount of the contractual service margin with and without the cumulative amount of the guarantee recognised in profit or loss;

(b) to require an entity that chooses to disaggregate interest expense into an amount presented in profit or loss and an amount presented in OCI to disclose:

  i. an explanation of the method that an entity uses to calculate the cost information presented in profit or loss;

  ii. if the entity uses simplified approach at transition to measure the accumulated balance of OCI at zero, to require:

    1) an entity to designate financial assets as relating to contracts within the scope of the new insurance contracts Standard at the date of transition;

    2) to disclose at the date of transition and in each subsequent reporting period, a reconciliation from the opening to closing balance of the accumulated balance of OCI for those financial assets.

(c) to require an entity to disclose:

  i. changes in the fulfilment cash flows that adjust the contractual service margin;

  ii. an explanation of when the entity expects to recognise the remaining contractual service margin in profit or loss either on a quantitative basis using the appropriate time bands or by using qualitative information; and

  iii. the amounts in the financial statements determined at transition using simplified approaches, both on transition and in subsequent periods.

(d) To delete the proposed requirements that an entity should:

  i. reconcile revenue recognised in profit or loss in the period to premiums received in the period (paragraph 79 of the 2013 ED); and

  ii. disclose an analysis of the total interest expense between profit or loss and OCI (tentative decision from March 2015).

(e) To require an entity to disclose any practical expedients that an entity used.

Appendix A: Comments received on the 2013 ED that the IASB tentatively decided not to consider further

In April 2014, the IASB tentatively decided that it would not consider in future meetings some comments on presentation and disclosure it had received on the proposals in the 2013 ED. The following table is extracted from Agenda Paper 2C *Project plan for non-targeted issues,* that formed the basis for that decision.

Description of the issue	Staff analysis	Previous discussions after the 2010 ED
B1. Disclosures (paragraphs 69—95 of the 2013 ED) Some respondents have the following comments regarding disclosures: (a) Some respondents have general concerns regarding the volume, complexity and cost of preparing the proposed disclosures. Some argue that the proposed disclosures would be excessively detailed and onerous to apply. In particular, respondents commented that it would be onerous to apply the requirement to provide detailed reconciliations and to provide information separately for portfolios in an asset position from portfolios in a liability position. (b) In particular, there was widespread opposition to the proposal in paragraph 84 of the 2013 ED, which requires that if an entity uses a technique other than the confidence level technique for determining the risk adjustment, the entity shall disclose a translation of the result of that technique into a confidence level. Some are concerned that disclosure of the confidence level would be burdensome to prepare and might not provide information that is directly comparable. (c) In addition, a few respondents oppose the requirement	Re (a): paragraph 69 of the 2013 ED states that the objective of the disclosure requirements is to enable users of financial statements to understand the amount, timing and uncertainty of future cash flows that arise from contracts within the scope of the Standard. Paragraph BCA227 of the 2013 ED explains that the principle stated in paragraph 69 of the 2013 ED is supplemented with some specific disclosure requirements designed to help the entity satisfy that principle. By specifying a disclosure principle, the IASB hopes to eliminate detailed and prescriptive disclosure requirements about the various types of insurance contracts. Consequently, paragraph 70 of the 2013 ED states that, if any of the required disclosures are not considered relevant in meeting the requirements in paragraph 69 of the 2013 ED, they may be omitted from the financial statements. Feedback from users indicated that the reconciliations proposed provided important information for their analysis. The staff considered the comment about general complexity by analysing more specific comments described below. Re (b): the confidence level disclosure requirement was proposed in the 2010 ED. The objections to this requirement in the 2013 ED are similar to those provided in the 2010 ED (see paragraphs	September 2011—AP3D *Disclosures* September 2012—AP16F *Disclosures—overview and proposed drafting* September 2012—AP16G *Disclosures: Staff analysis* November 2012—AP3A *Presentation and disclosures—proposed drafting* November 2012—AP3C *Presentation and disclosures—disclosures relating to participating contracts, earned premium presentation and transition*

Description of the issue	Staff analysis	Previous discussions after the 2010 ED
in paragraph 88 of the 2013 ED to disclose information about the effects of each regulatory framework in which the entity operates. Those respondents believe that such a disclosure is disproportionate and that all entities operating in a particular regulated environment should have similar disclosure requirements. They also argue that for entities reporting under IFRS, the general requirement defined in IAS 1 *Presentation of Financial Statements* (IAS 1) should be sufficient. (d) In contrast, a few other respondents proposed additional disclosures, for example about the extrapolation method used to estimate discount.	BCA100-102 of the 2013 ED). The IASB considered those objections and it decided that the disclosure is important for users in the light of the IASB's proposal that the risk adjustment would be determined on the basis of entity-specific inputs. In addition, the IASB concluded that alternative disclosures would not meet this objective and that some entities may need to disclose this information for regulatory purposes. No new information arose from the comment letters. Re (c): the IASB was already aware of the similar comments on the effects of regulatory framework disclosures. The IASB discussed them in September 2012 (Agenda Paper 16G *Disclosures: Staff analysis*). The IASB noted that IAS 1 requires disclosure about whether the entity complied with any externally imposed capital requirements and the extent of non-compliance. Information about the regulatory framework would provide supporting information about what the externally imposed capital requirements are. The IASB also noted that an entity's management should have the information available about the most significant regulatory requirements (in order to comply with them) and would not need to acquire it. Re (d): paragraph 70 of the 2013 ED states that if the disclosures provided in accordance with paragraphs 73—95 of the 2013 ED are insufficient to meet the requirements in paragraph 69 of the 2013 ED, an entity shall disclose additional information that is necessary to meet those requirements.	

Appendix B: Proposed disclosure requirements

The following text shows where the staff proposes to modify the proposals in the 2013 ED to reflect IASB decisions since the 2013 ED and the recommendations in this paper.

Proposed requirement	Staff recommendation and previous decisions
Presentation	
Statement of financial position	
54 An entity shall present separately in the statement of financial position: **(a) the carrying amount of portfolios of insurance contracts that are in an asset position; and** **(b) the carrying amount of portfolios of insurance contracts that are in a liability position.**	The 2013 ED proposed to amend paragraph 54 of IAS 1 to include separate line items for insurance contracts in an asset and liability position and reinsurance contract in an assets and liability position. The staff recommends in this paper that IASB confirm the 2013 ED proposals related to presentation in the financial statement.
55 An entity shall present separately in the statement of financial position: **(a) the carrying amount of portfolios of reinsurance contracts held that are in an asset position; and** **(b) the carrying amount of portfolios of reinsurance contracts held that are in a liability position.**	

<table>
<tr><th colspan="2">Proposed requirement</th><th>Staff recommendation and previous decisions</th></tr>
<tr><td colspan="2">Statement of comprehensive income</td><td></td></tr>
<tr><td></td><td>Revenue and expenses</td><td rowspan="5">At its meeting on 25 April 2014 the IASB tentatively decided:
to confirm the 2013 proposals that an entity should present insurance contract revenue and expense in the statement of comprehensive income, as proposed in paragraphs 56–59 and B88–B91.
that an entity should be prohibited from presenting premium information in the statement of comprehensive income if that information is not consistent with commonly understood notions of revenue.
The staff recommends in this paper that IASB otherwise confirm the 2013 ED proposals related to presentation in the financial statement.</td></tr>
<tr><td>56</td><td>An entity shall present revenue relating to the insurance contracts it issues in the statement of profit or loss and other comprehensive income. Insurance contract revenue shall depict the transfer of promised services arising from the insurance contract in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those services. Paragraphs B88–B91 specify how an entity measures insurance contract revenue.</td></tr>
<tr><td>57</td><td>An entity shall present incurred claims and other expenses relating to an insurance contract it issues in the statement of profit or loss and other comprehensive income.</td></tr>
<tr><td>58</td><td>Insurance contract revenue and incurred claims presented in the statement of profit or loss and other comprehensive income shall exclude any investment components that, in accordance with paragraph 10(b), have not been separated.</td></tr>
<tr><td>59</td><td>An entity shall present the expense of purchasing reinsurance contracts held, excluding any investment components, in profit or loss as the entity receives reinsurance coverage and other services over the coverage period.</td></tr>
<tr><td></td><td>Profit or loss and other comprehensive income</td><td></td></tr>
<tr><td>60</td><td>An entity shall recognise in profit or loss:
(a) losses, if any, at initial recognition of insurance contracts (see paragraph 15).
(b) changes in the risk adjustment (see paragraph 27).
(c) the change in the contractual service margin that reflects the transfer of services in the period (see paragraph 32).
(d) changes in estimates of future cash flows that do not adjust the contractual service margin (see paragraphs 30–31 and B68).</td><td>See more information in paragraph 78.</td></tr>
</table>

Proposed requirement	Staff recommendation and previous decisions
(e) differences between actual cash flows that occurred during the period and previous estimates of those cash flows (experience adjustments) (see paragraphs 30–31 and B68). **(f) any changes in the carrying amount of onerous contracts recognised in accordance with paragraph 36.** **(g) any effect of changes in the credit standing of the issuer of reinsurance contracts held (see paragraph 41(b)(iii)).** **(h) unless paragraph 66 applies, interest expense on insurance contract liabilities determined using the discount rates specified in paragraph 25 that applied at the date that the contract was initially recognised. For cash flows that are expected to vary directly with returns on underlying items, the entity shall update those discount rates when it expects any changes in those returns to affect the amount of those cash flows.** **(i) any gains or losses other than those recognised in other comprehensive income in accordance with paragraph 64.**	
(…)	
63 An entity shall not offset income or expense from reinsurance contracts against the expense or income from insurance contracts.	The staff recommends in this paper that IASB confirm the 2013 ED proposals related to presentation in the financial statement.
64 Unless paragraph 66 applies, an entity shall recognise and present in other comprehensive income the difference between: **(a) the carrying amount of the insurance contract measured using the discount rates specified in paragraph 25 that applied at the reporting date; and** **(b) the carrying amount of the insurance contract measured using the discount rates specified in paragraph 60(h).**	The 2013 ED proposed to amend paragraph 7 of IAS 1 to include separate line items for gains and losses from insurance contracts in OCI. The staff recommends in this paper that IASB confirm the 2013 ED proposals related to presentation in the financial statement.
(…)	
67 An entity shall not offset income or expense from the underlying items against expense or income from the insurance contract.	

Proposed requirement	Staff recommendation and previous decisions
Disclosure	The staff recommends in this paper that IASB confirm the disclosure requirements proposed in 2013 ED other than noted below.
69 The objective of the disclosure requirements is to enable users of financial statements to understand the nature, amount, timing and uncertainty of future cash flows that arise from contracts within the scope of this [draft] Standard. To achieve that objective, an entity shall disclose qualitative and quantitative information about: **(a) the amounts recognised in its financial statements that arise from insurance contracts (see paragraphs 73–82);** **(b) the significant judgements, and changes in those judgements, made when applying the [draft] Standard (see paragraphs 83–85); and** **(c) the nature and extent of the risks that arise from contracts within the scope of this [draft] Standard (see paragraphs 86–95).**	
70 If any of the disclosures set out in paragraphs 73–95 are not considered relevant in meeting the requirements in paragraph 69, they may be omitted from the financial statements. If the disclosures provided in accordance with paragraphs 73–95 are insufficient to meet the requirements in paragraph 69, an entity shall disclose additional information that is necessary to meet those requirements.	
71 An entity shall consider the level of detail necessary to satisfy the disclosure objective and how much emphasis to place on each of the various requirements. The entity shall aggregate or disaggregate information so that useful information is not obscured by either the inclusion of a large amount of insignificant detail or by the aggregation of items that have different characteristics.	
72 Examples of disaggregation bases that might be appropriate are: (a) type of contract (for example, major product lines); (b) geographical area (for example, country or region); or (c) reportable segment, as defined in IFRS 8 *Operating Segments*.	
Explanation of recognised amounts	
73 An entity shall provide sufficient information to permit a reconciliation of the amounts disclosed to	

Proposed requirement		Staff recommendation and previous decisions
	the line items that are presented in the statements of profit or loss and other comprehensive income and of financial position. To comply with this requirement, an entity shall disclose, in tabular format, the reconciliations required by paragraphs 74–76, separately for insurance contracts and reinsurance contracts.	
74	An entity shall disclose reconciliations that show how the carrying amounts of insurance contracts that are in a liability position and insurance contracts that are in an asset position are affected by cash flows and income and expenses recognised in profit or loss and other comprehensive income. Those reconciliations shall separately reconcile from the opening to the closing balances of: (a) liabilities for the remaining coverage, excluding any amounts included in (b); (b) liabilities for the remaining coverage that are attributable to amounts immediately recognised in profit or loss; and (c) liabilities for any incurred claims.	
75	An entity shall disclose reconciliations that show how the aggregate carrying amounts of reinsurance contracts held in an asset position and reinsurance contracts held in a liability position are affected by cash flows and income and expense presented in profit or loss. Those reconciliations shall separately reconcile from the opening to the closing balances of: (a) the expected value of the recovery that relates to the remaining coverage, excluding the amounts included in (b); (b) the expected value of the recovery that relates to the remaining coverage that is attributable to changes in estimates that are immediately recognised in profit or loss; and (c) the expected value of the recovery that relates to any incurred claims that arise from the underlying insurance contract.	
76	Subject to paragraph 77, an entity shall disclose a reconciliation that separately reconciles the opening and closing balances of: (a) the expected present value of the future cash flows; (b) the risk adjustment; and (c) the contractual service margin.	
77	An entity need not provide the reconciliation in paragraph 76 to the extent that the entity:	The staff notes that AP 2C *Should the new*

Proposed requirement	Staff recommendation and previous decisions
(a) applies the measurement exception in paragraphs 33–34 for contracts that require the entity to hold underlying items and specify a link to returns on those underlying items; or (b) simplifies the measurement of insurance contracts or reinsurance contracts in accordance with paragraphs 38–40 or 42(a).	*insurance contracts Standard retain the mirroring approach?* recommends that the mirroring approach (explained in paragraphs 33-34 of the 2013 ED) is not permitted or required in the proposed insurance contracts Standard.
78 For each reconciliation required by paragraphs 74–76, an entity shall separately identify each of the following, if applicable: (a) premiums received for insurance contracts issued (or paid for reinsurance contracts held); (b) claims paid for insurance contracts issued (or recovered under reinsurance contracts held); (c) each of the amounts recognised in profit or loss in accordance with paragraph 60, if applicable; (d) gains and losses that arose on modification or derecognition of an insurance contract (see paragraphs 52–53); (e) amounts that relate to contracts acquired from, or transferred to, other entities in portfolio transfers or business combinations (see paragraphs 44–45); and (f) any additional line items that may be needed to understand the change in the contract assets and the contract liabilities.	The staff recommends in this paper that IASB: • add information in the disclosure about changes related to changes in the fulfilment cash flows that are accounted for as a change in the contractual service margin. • for contracts measured using the variable approach for which an entity chooses to recognise changes in the guarantee in profit or loss instead of the contractual service margin (adjustment), add disclosure about the amount of the contractual service margin with and without the cumulative amount of the adjustment.
79 An entity shall disclose a reconciliation from the premiums received in the period to the insurance contract revenue recognised in the period.	The staff recommends in this paper that IASB delete requirement that an entity should reconcile revenue recognised in the period to premiums received in the period.
80 If an entity applies the requirements of paragraphs 33–34 and 66 to insurance contracts that require the entity to hold underlying items and specify a link to returns on those underlying items: (a) the entity shall disclose the amounts in the financial statements that arise from the cash flows to which the entity has applied paragraphs 33–34 and 66; and	The staff notes that AP 2C *Should the new insurance contracts Standard retain the mirroring approach?* recommends that the mirroring approach (explained in paragraphs

Proposed requirement	Staff recommendation and previous decisions
(b) if the entity discloses the fair value of underlying items that are measured on a basis other than fair value, it shall disclose the extent to which the difference between the fair value and the carrying amount of the underlying items would be passed on to policyholders.	33-34 of the 2013 ED) is not permitted or required in the proposed insurance contracts Standard.
81 For contracts to which paragraphs 38–40 or 42(a) are not applied, the entity shall disclose: (a) the following inputs that are used when determining the insurance contract revenue that is recognised in the period: (i) the expected cash outflows for the period, excluding investment components; (ii) the acquisition costs that are allocated to the period; (iii) the change in risk adjustment in the period; and (iv) the amount of the contractual service margin recognised in the period. (b) the effect of the insurance contracts that are initially recognised in the period on the amounts that are recognised in the statement of financial position. That disclosure shall separately show the effect of those contracts on: (i) the expected present value of future cash outflows, showing separately the amount of the acquisition costs; (ii) the expected present value of future cash inflows; (iii) the risk adjustment; and (iv) the contractual service margin.	
82 An entity shall disclose the interest on insurance contracts in a way that highlights the relationship between the interest on the insurance contracts and the investment return on the related assets that the entity holds.	
	At its March 2014 meeting the IASB tentatively decided that: • an entity should provide a reconciliation that explains the components of the interest expense separating interest

<table>
<tr><th>Proposed requirement</th><th>Staff recommendation and previous decisions</th></tr>
<tr><td></td><td>accretion calculated using current discount rate and the effect of change in the discount rate. The staff recommends in this paper to confirm this proposal.
• an entity should provide a reconciliation that explains the interest expense presented in different line items if an entity chose to present the effect of discount rate changes in OCI. However, the staff recommends in this paper that the IASB not require this disclosure.</td></tr>
<tr><td>Significant judgements in applying the [draft] Standard</td><td></td></tr>
<tr><td>83 An entity shall disclose the judgements, and changes in those judgements, that were made in applying this [draft] Standard. At a minimum, an entity shall disclose:
(a) the methods used to measure insurance contracts and the processes for estimating the inputs to those methods. When practicable, the entity shall also provide quantitative information about those inputs.
(b) to the extent not covered in (a), the methods and inputs that are used to estimate:
(i) the risk adjustment;
(ii) discount rates;
(iii) the pattern of recognition of the contractual service margin; and
(iv) any investment components that are not separated in accordance with paragraph 10(b).
(c) the effect of changes in the methods and inputs that are used to measure insurance contracts, separately showing the effect of each change that has a material effect on the financial statements, together with an explanation of the reason for each change. The entity shall identify the type of contracts affected.</td><td>The staff recommends in this paper that the IASB add an explanation of method that an entity uses to calculate cost information presented in profit or loss, for contracts for which an entity chooses OCI for presentation of the interest expense.</td></tr>
</table>

Proposed requirement	Staff recommendation and previous decisions
84 If the entity uses a technique other than the confidence level technique for determining the risk adjustment, it shall disclose a translation of the result of that technique into a confidence level (for example, that the risk adjustment was estimated using technique Y and corresponds to a confidence level of Z per cent).	At its April 2014 meeting the IASB tentatively decided to retain this proposal (please refer to extract of AP 2C in Appendix A).
85 An entity shall disclose the yield curve (or range of yield curves) that is used to discount the cash flows that do not depend on the returns from underlying items in accordance with paragraph 25. When an entity provides disclosures in total for a grouping of portfolios, it shall provide such disclosures in the form of weighted averages or relatively narrow ranges.	
Nature and extent of risks that arise from insurance contracts	
86 An entity shall disclose information about the nature and extent of risks that arise from insurance contracts to enable users of financial statements to understand the nature, amount, timing and uncertainty of future cash flows that arise from insurance contracts. Paragraphs 87–95 contain the minimum disclosures that would normally be required to comply with this requirement.	
87 An entity shall disclose: (a) the exposures to risks and how they arise; (b) its objectives, policies and processes for managing risks that arise from insurance contracts and the methods that are used to manage those risks; and (c) any changes in (a) or (b) from the previous period.	
88 An entity shall disclose information about the effect of each regulatory framework in which the entity operates; for example, minimum capital requirements or required interest rate guarantees.	At its April 2014 meeting the IASB tentatively decided to retain this proposal (please refer to extract of AP 2C in Appendix A).
89 An entity shall disclose information about insurance risk on a gross basis and a net basis, before and after risk mitigation (for example, by reinsurance), including information about: (a) sensitivity to the insurance risk in relation to its effect on profit or loss and equity. This shall be disclosed by a sensitivity analysis that shows any material effect on profit or loss and equity that would have resulted from: (i) changes in the relevant risk variable that were reasonably possible at the end of the	

Proposed requirement	Staff recommendation and previous decisions
reporting period; and (ii) changes in the methods and inputs that are used in preparing the sensitivity analysis. However, if an entity uses an alternative method to manage sensitivity to market conditions, such as embedded value analysis or value at risk analysis, it can meet this requirement by disclosing that alternative sensitivity analysis. (b) concentrations of insurance risk, including a description of how management determines the concentrations and a description of the shared characteristic that identifies each concentration (for example, the type of *insured event*, geographical area or currency). Concentrations of insurance risk can arise if an entity has underwritten risks that: (i) are concentrated in one geographical area or one industry; or (ii) are present in its investment portfolio, for example, if an entity provides product liability protection to pharmaceutical companies and also holds investments in those companies.	
90 An entity shall disclose actual claims compared with previous estimates of the undiscounted amount of the claims (ie claims development). The disclosure about claims development shall go back to the period when the earliest material claim(s) arose for which there was uncertainty about the amount and timing of the claims payments, but need not go back more than ten years. The entity need not disclose information about the development of claims for which uncertainty about the amount and timing of the claims payments is typically resolved within one year. The entity shall reconcile the disclosure about claims development with the aggregate carrying amount of the insurance contracts in a liability position and insurance contracts in an asset position, which the entity discloses to comply with paragraph 74.	
91 For each type of risk, other than insurance risk, that arises from insurance contracts, an entity shall disclose: (a) summary quantitative information about its exposure to that risk at the end of the reporting period. This disclosure shall be based on the information that was provided internally to the key management personnel of the entity and shall provide information about the risk management techniques and methodologies that are applied by the entity. (b) concentrations of risk if not apparent from other disclosures. Such concentrations can arise, for example, from interest rate guarantees that come into effect at the same level for an entire	

Proposed requirement	Staff recommendation and previous decisions
portfolio of contracts.	
92 For credit risk that arises from insurance contracts issued and reinsurance contracts held, an entity shall disclose: (a) the amount that best represents its maximum exposure to credit risk at the end of the reporting period; and (b) information about the credit quality of reinsurance contract assets.	
93 With regard to liquidity risk, an entity shall disclose: (a) a description of how it manages the liquidity risk that results from its insurance liabilities; (b) the amounts that are payable on demand, in a way that highlights the relationship between such amounts and the carrying amount of the related contracts; and (c) a maturity analysis that shows, at a minimum, the net cash flows that result from recognised insurance contracts for each of the first five years after the reporting date and in aggregate beyond the first five years. This may take the form of an analysis, by estimated timing, of the amounts recognised in the statement of financial position. However, an entity is not required to disclose a maturity analysis for the liability for the remaining coverage measured in accordance with paragraphs 38–40 or 42(a).	
94 For market risk that arises from embedded derivatives that are contained in a host insurance contract and not separated in accordance with paragraph 10(a), an entity shall disclose: (a) a sensitivity analysis for each type of market risk to which the entity is exposed at the end of the reporting period, showing how profit or loss, other comprehensive income and equity would have been affected by changes in the relevant risk variable that were reasonably possible at that date. If an entity uses an alternative method to manage the sensitivity to market conditions, such as an embedded value analysis, or a sensitivity analysis such as the value at risk, that reflects interdependencies between the risk variables and that can be used to manage *financial risks*, it may use that sensitivity analysis to meet this requirement. (b) an explanation of the methods and the main inputs that were used in preparing the sensitivity analysis. (c) changes from the previous period in the methods and inputs that were used and the reasons for such changes.	

Proposed requirement	Staff recommendation and previous decisions
95 If the quantitative information about the entity's exposure to risk at the end of the reporting period is not representative of its exposure to risk during the period, it shall disclose that fact and the reasons for those conclusions and provide further information that is representative of the exposure during the period.	
(…)	
Appendix C **Effective date and transition**	
Disclosure	
C7 An entity applying this [draft] Standard for periods beginning before [date specified in paragraph C1] shall disclose that fact.	
C8 For each period presented for which there are contracts that were measured in accordance with paragraphs C3–C6, an entity shall disclose, in addition to the disclosures required by IAS 8: (a) the earliest date of initial recognition of the portfolios for which the entity applied this [draft] Standard retrospectively; and (b) the disclosures required by paragraphs 83–85 separately for portfolios to which paragraphs C3–C6 apply. At a minimum, an entity shall provide those disclosures for: (i) the contractual service margin as determined in accordance with paragraphs C5–C6, including a description of the extent to which the entity used information that is not objective in determining that margin; and (ii) the discount rates as determined in accordance with paragraph C6.	At its meeting on 23 October 2014 the IASB tentatively decided that an entity should disclose the information proposed in paragraph C8 of the 2013 ED (ie the disclosures for contracts for which retrospective application is impracticable) for each period presented for which there are contracts that were measured in accordance with the simplified approach or the fair value approach. The staff recommends in this paper that IASB requires information in the disclosure about the amounts in the financial statements determined at transition using simplified approach, both on transition and in subsequent periods.
C9 In applying paragraph 90, an entity need not disclose previously unpublished information about claims development that occurred earlier than five years before the end of the first financial year in	

Proposed requirement		Staff recommendation and previous decisions
	which it first applies this [draft] Standard. However, if an entity does not disclose that information, it shall disclose that fact.	
C10	An entity is not required to disclose, for the current period and for each prior period presented, the amount of the adjustment for each financial statement line item that is affected, as paragraph 28(f) of IAS 8 would otherwise require.	