

AGENDA PAPER

IFRS Foundation Trustees meeting – Due Process Oversight Committee

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Agenda ref 1D

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Implementation activities for the Insurance Contracts standard

Purpose

1. This paper provides the Due Process Oversight Committee (DPOC) with an update on the implementation activities planned for the new insurance contracts Standard, called IFRS 17 *Insurance Contracts*.

Background

2. The International Accounting Standards Board (the Board) plans to issue IFRS 17 in the first half of 2017. IFRS 17 will replace the existing requirements for accounting for insurance contracts in IFRS 4 *Insurance Contracts* from 1 January 2021. This means that entities will have more than three years to implement the new Standard.
3. The implementation of IFRS 17 is expected to be challenging for many entities. This is mainly because:
 - (a) IFRS 17 is a fundamental change to existing insurance accounting practices for some entities. Many concepts in IFRS 17 are new. IFRS 4 focuses on enhanced disclosures and does not deal with the measurement of insurance contracts.
 - (b) there are likely to be significant operational implications in applying the requirements in IFRS 17, including the development of systems able to reflect different complex risks in the measurement of various types of insurance contracts.
 - (c) entities will be approaching the transition to the new requirements from many different perspectives as IFRS 4 is an interim Standard that essentially grandfathered national GAAP.

Implementation activities for IFRS 17

4. In October 2016 the staff sought the advice of the IFRS Advisory Council in relation to the ways to support the implementation of IFRS 17. The Advisory Council suggested that all of the available tools for implementation support should be used for IFRS 17. As part of this, most Advisory Council members thought that the use of a transition resource group is appropriate for IFRS 17. However, they suggested that the Board should:
 - (a) clearly define the scope of the transition resource group, with the key topics to discuss being determined early;
 - (b) emphasise that the purpose of the transition resource group is to educate and not to advocate any changes to the Standard; and
 - (c) carefully consider the composition of the group (given the scope that is selected), including taking into account of different audiences, local legislation and regulators, and have a geographic spread.
5. Taking into account the advice of the IFRS Advisory Council and the experience gained from the implementation of recently issued IFRS Standards,¹ we plan to support faithful and consistent implementation of IFRS 17 by making available:
 - (a) educational and explanatory material together with the new Standard (Basis for Conclusions, Illustrative Examples, Effects Analysis, Project Summary and Feedback Statement);
 - (b) webcasts introducing the new Standard and focusing on specific areas;
 - (c) educational material for investors, including meetings and articles;
 - (d) educational support for regulators and national standard-setters;
 - (e) conferences focused on the implementation of IFRS 17; and
 - (f) a transition resource group.

¹ IFRS 15 *Revenue from Contracts with Customers* issued in May 2014, IFRS 9 *Financial Instruments* issued in July 2014 and IFRS 16 *Leases* issued in January 2016.

6. We intend to develop our plans for the activities described in paragraph 5 over the coming months and to respond as needed during the implementation period for IFRS 17. As we have done for other recently issued Standards, we expect to set up of a webpage that consolidates information about our implementation activities and any resources we produce, and that indicates how stakeholders can raise any questions. This will ensure that the available support is visible and accessible.
7. At the January 2016 Board meeting the staff provided the Board with an update on the plans for supporting implementation of IFRS 17, including the establishment of a transition resource group after the Standard has been issued. In particular, at that meeting the staff noted that:
 - (a) a transition resource group is one of the tools that can be used to support implementation of a new Standard, but that such a group is not a routine part of the due process for each new Standard; and
 - (b) previous experience shows that such a group can be an effective way of ensuring that a new Standard is being read and implemented in the way the Board intended, and to better manage our interaction with local and international regulators.
8. We plan to set the membership of the group in a way that reflects its mandate and objectives, which have yet to be decided. Indications of interest in the group will be sought publicly at a later date. The staff plans to update the DPOC on the mandate, objectives and membership of the group at a future meeting.