AGENDA PAPER

IFRS® Foundation Trustees meeting – Due Process Oversight Committee

Conference call	23 April 2019	**Agenda ref 1**
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Comment letter period for proposed targeted amendments to IFRS 17 *Insurance Contracts*

Purpose

1. The purpose of this paper is to seek the approval of the Due Process Oversight Committee (DPOC) for a shortened comment period of 90 days for the forthcoming Exposure Draft of proposed amendments to IFRS 17 *Insurance Contracts*. An update on the project to amend IFRS 17 was provided in Agenda Paper 1B to the January 2019 DPOC meeting.

2. At its April 2019 meeting, the Board gave the staff permission to begin the balloting process for an Exposure Draft of proposed amendments to IFRS 17 and confirmed the proposed amendments meet the criteria the Board set in October 2018.

3. Background information about the proposed targeted amendments to IFRS 17 is included in Appendix A to this paper and in Agenda Paper 1A, which:

   (a) considers the proposed amendments as a whole;

   (b) evaluates each of the proposed amendments against the criteria the Board set; and

   (c) considers the likely effects of the proposed amendments to IFRS 17.

Recommended comment period

4. In accordance with paragraph 6.7 of the Due Process Handbook, the Board normally allows a minimum period of 120 days for comment on an Exposure Draft. If the matter is narrow in scope and urgent the Board may consider a comment period of no less

than 30 days, but it will only set a period of less than 120 days after consulting, and obtaining approval from, the DPOC.

5. At its May 2019 meeting, the Board will be asked to set the comment period for the Exposure Draft. The comment period needs to strike a balance between the need to:

   (a) allow stakeholders time to consider the proposals and provide further input to the Board; and

   (b) finalise any amendments to IFRS 17 to provide clarity about those amendments on a timely basis.

6. The staff think that a comment period of 120 days, which is normally used for Exposure Drafts other than annual improvements, is not necessary given that:

   (a) the amendments are targeted to specific areas of IFRS 17 and, by their nature, are narrow in scope.

   (b) many entities, and their representative bodies, that are expected to provide comments to the targeted amendments to IFRS 17 are following the project to amend IFRS 17 very closely. As discussed in paragraph A5 of Appendix A to this paper, the Board has continued to engage extensively with stakeholders after the issuance of the Standard. In addition, staff and Board members have kept stakeholders informed about the proposed amendments through regular podcasts and outreach.

   (c) there is a need to provide certainty about the amendments to IFRS 17 to minimise any disruption created by them for both users and preparers of financial statements.

7. However, at the other end of the scale, the staff think that the minimum comment period of 30 days permitted by paragraph 6.7 of the Due Process Handbook would not provide stakeholders with sufficient time to consider the proposals. Although the targeted amendments to IFRS 17 are narrow in scope, those amendments provide meaningful change and address a number of concerns expressed by stakeholders.

8. Consequently, the staff are asking the DPOC to approve a shortened comment period of 90 days for the Exposure Draft. A comment period of 90 days would:

   (a) be the same as the comment period set for the Exposure Draft of the narrow-scope amendments to IFRS 15 *Revenue from Contracts with Customers* that the Board issued in July 2015. Similarly to that Exposure Draft, a 90-day comment period would balance the need to allow sufficient time for stakeholders to respond to the targeted amendments and, yet, also provide clarity about the proposed amendments on a timely basis.

   (b) facilitate issuing the amendments to IFRS 17 in the second quarter of 2020—including confirming the mandatory effective date of 1 January 2022—to minimise disruption to implementation.

9. A comment period of 90 days would balance the need to allow sufficient time for stakeholders to respond to the Exposure Draft, yet also provide clarity about the proposals on a timely basis.

Question for the DPOC

10. Does the DPOC give its approval for a shortened comment period of 90 days for the forthcoming Exposure Draft of proposed amendments to IFRS 17?

Appendix A—Background to the proposed targeted amendments

A1. IFRS 17 is much needed to address the many inadequacies in, and the incomparability of, the wide range of insurance accounting practices used today applying IFRS 4, which IFRS 17 replaces.

A2. The Board was aware when it issued IFRS 17 that entities would be implementing the Standard from many different starting points and that, for some entities, the costs of implementation would be significant. Furthermore, the Board acknowledged that many entities would be better placed to understand the full extent of the effects of IFRS 17 on their reporting only once they had started implementation. In the Board's view, the benefits of IFRS 17 outweigh the costs (for discussion of the costs and benefits of IFRS 17 refer to the *Effects Analysis on IFRS 17* published alongside the Standard).

A3. After IFRS 17 was issued, the Board initiated a comprehensive programme of stakeholder engagement and implementation support. This included establishing a Transition Resource Group for IFRS 17 (TRG), which provides a public forum for stakeholders to follow the discussion of questions raised on implementation and informs the Board in order to help the Board determine what, if any, action is needed to address those questions. The TRG has held four meetings and has discussed all 127 implementation questions submitted to the date this paper was published.

A4. Between October 2018 and March 2019, the Board considered concerns and challenges raised through the TRG and other stakeholder engagement on 25 topics. The objective of the Board's discussions in that timeframe was to consider where it could ease implementation of IFRS 17, if necessary, by making targeted refinements to IFRS 17 requirements that are meaningful to entities.

A5. At its March 2019 meeting, the Board noted it has engaged with stakeholders extensively through-out the development of IFRS 17 and in the 22 months since the issuance of the Standard. Therefore, entities, auditors and others have had sufficient time to identify implementation challenges. As a result, although it is possible that further implementation challenges could arise, the Board expects that any substantive implementation challenges have been identified. Furthermore, any further changes to IFRS 17 could disrupt, rather than help, the implementation process. Accordingly, after the proposed amendments are finalised, the Board intends to avoid standard-setting for any further issues identified before it undertakes the post-implementation review of IFRS 17.

Nature of the proposed targeted amendments

A6. In considering possible amendments to IFRS 17 to respond to the concerns and challenges raised, the Board noted that:

(a) the application of IFRS 17 is urgent to address the many inadequacies in the wide range of insurance accounting practices used today applying IFRS 4; and

(b) delaying the effective date of a recently issued Standard that entities are in the process of implementing risks disrupting their implementation processes.

A7. The Board decided to propose 12 targeted amendments to IFRS 17 in eight areas, which the Board concluded:

(a) are needed to support entities implementing the Standard.

(b) do not result in significant loss of useful information relative to that which would otherwise be provided by IFRS 17 to users of financial statements. The amendments do not change the fundamental principles of the Standard.

(c) do not unduly disrupt implementation processes already under way or do not risk undue delays in the effective date of IFRS 17.

A8. Agenda Paper 1A provides an overview of the proposed amendments.