STAFF PAPER

January 2020

IASB® meeting

Project	Amendments to IFRS 17		
Paper topic	Interim financial statements		
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Purpose of the paper

1. This paper discusses staff analysis and recommendations about the requirement relating to interim financial statements in IFRS 17 *Insurance Contracts*.
2. When developing the Exposure Draft *Amendments to IFRS 17*, the International Accounting Standards Board (Board) considered the concerns and challenges raised by stakeholders about this requirement. The Board concluded there was no compelling reason to make a change. Consequently, the Board decided to retain the requirement unchanged.
3. This paper follows the tentative decision of the Board, at its November 2019 meeting, to consider further the feedback from outreach and comment letters on this requirement.

Summary of staff recommendations

4. The staff recommend the Board amend the requirement relating to interim financial statements in paragraph B137 of IFRS 17 to require an entity to:

   (a) make an accounting policy choice as to whether to change the treatment of accounting estimates made in previous interim financial statements when applying IFRS 17 in subsequent interim financial statements or in the annual reporting period; and

   (b) apply its choice of accounting policy to all insurance contracts issued and reinsurance contracts held (ie accounting policy choice at entity level).

Structure of the paper

5. This paper provides:

   (a) background information, including an overview of the requirement in IFRS 17 relating to interim financial statements, the Board's rationale for setting that requirement and the Board's previous discussion of concerns and challenges raised about this requirement;

   (b) an overview of the feedback on the Exposure Draft; and

   (c) the staff analysis, recommendations and questions for Board members.

6. This paper includes the following appendices:

   (a) Appendix A—overview of the assessment of the approaches suggested by respondents against the criteria the Board applied when developing the Exposure Draft; and

   (b) Appendix B—overview of the assessment of the likely effects of the approaches suggested by respondents compared to the requirements in IFRS 17 as issued in May 2017.

Background

IFRS 17 requirements

7. IAS 34 *Interim Financial Reporting* states that the frequency of an entity's reporting should not affect the measurement of its annual results. However, paragraph B137 of IFRS 17 requires that an entity does not change the treatment of accounting estimates made in previous interim financial statements when applying IFRS 17 in subsequent interim financial statements or in the annual reporting period.

8. IFRS 17 generally requires changes in estimates of the fulfilment cash flows (ie changes related to future periods) to adjust the contractual service margin, whereas experience adjustments (ie differences between expected and actual amounts in the current and past period) are recognised in profit or loss immediately—thus the accounting depends on the timing of a reporting date, as demonstrated in the following example.

9. Consider two entities:

   (a) Entity A prepares annual financial statements and quarterly interim financial statements applying IAS 34; and

   (b) Entity B prepares annual financial statements only.

10. At the beginning of Year 1, Entity A and Entity B issue the same two-year insurance contract with a premium of CU100,[1] expected claims of CU50 and a contractual service margin of CU50.[2] In the fourth quarter of Year 1, Entity A and Entity B change their expectations and now expect an additional amount of claims of CU30 to be incurred in Year 2. The contractual service margin of the contract, which is allocated based on coverage units on a straight-line basis, is adjusted accordingly. Applying the requirement in paragraph B137 of IFRS 17, at the end of Year 1, gives the outcomes summarised in the following table.

[1] In this paper amounts are denominated in 'currency units' (CU).
[2] The example ignores the risk adjustment for non-financial risk and discounting for simplicity.

Applying paragraph B137 of IFRS 17 (period-to-period basis)[3]						
Contractual service margin (CSM) recognised in profit or loss	**Q1**	**Q2**	**Q3**	**Q4**	**Year 1**	**Remaining CSM end of Year 1**
Entity A (quarterly reporting as defined in IAS 34)	6.25	6.25	6.25	0.25	**19.0**	1.0
Entity B (annual reporting)					**10.0**	10.0

11. Assume Entity B is a subsidiary of Entity A. Entity A may require Entity B to provide internal interim reports because Entity A produces consolidated group interim financial statements applying IAS 34. The internal interim reports are not interim financial statements applying IAS 34 from the perspective of the subsidiary, so Entity B would need to maintain accounting estimates for these reports separately from the accounting estimates needed for its individual financial statements prepared using IFRS Standards. Accordingly, Entity B would need to maintain:

    (a) a set of accounting estimates for internal interim reports; and

    (b) a set of accounting estimates for its annual financial statements.

Board's rationale

12. The Board developed the requirement in paragraph B137 of IFRS 17 in response to stakeholder feedback that recalculating the carrying amount of the contractual service margin annually when the entity has prepared interim financial statements applying IAS 34 would be a significant practical burden because of the different treatments of changes in estimates and experience adjustments.

13. As explained in paragraph BC236 of the Basis for Conclusions on IFRS 17, requiring the contractual service margin to be adjusted for changes in estimates of the fulfilment

[3] Entity A has a remaining contractual service margin of CU1 (CU50 – CU6.25 x 3 – CU30 – CU0.25). This is because, in Year 1, Entity A recognises in profit or loss a contractual service margin of: (i) CU6.25 in each of the first three quarters (CU50 / 8 quarters); and (ii) CU0.25 in the last quarter ((CU50 – CU6.25 x 3 – CU30) / 5 quarters). Entity B has a remaining contractual service margin of CU10 (CU50 – CU30 – CU10). This is because, in Year 1, Entity B recognises in profit or loss a contractual service margin of CU10 ((CU50 – CU30) / 2 years).

cash flows but not for experience adjustments has the consequence that the accounting depends on the timing of a reporting date.[4] To avoid entities thinking they need to recalculate amounts previously reported in interim financial statements, the Board decided that IFRS 17 should specifically prohibit entities from changing the treatment of accounting estimates made in previous interim financial statements when applying IFRS 17 in subsequent interim financial statements or in the annual reporting period.

Board's previous discussion of concerns and challenges raised

14. When the Board considered proposing amendments to IFRS 17, it considered stakeholders' concerns and challenges about the requirement relating to interim financial statements in paragraph B137 of IFRS 17 and the suggestions from stakeholders to address those concerns and challenges. Specifically, as explained in paragraphs BC215–BC216 of the Basis for Conclusions on the Exposure Draft:

    (a) some stakeholders suggested the Board amend IFRS 17 to expand paragraph B137 of IFRS 17 so that it applies to accounting estimates made in all interim reports whether or not IAS 34 is applied, to avoid the need to keep two sets of accounting estimates; and

    (b) other stakeholders suggested the Board not expand paragraph B137 of IFRS 17 but permit, rather than require, its application.

15. The Board disagreed with those stakeholders' suggestions because those suggestions would add complexity for both preparers and users of financial statements, and would reduce comparability between entities. This is because:

    (a) entities might develop different definitions of an interim report if they were permitted to use interim reports other than those addressed by IAS 34. The Board noted that entities may prepare interim reports other than those addressed by IAS 34, for example, an internal management report, for a variety of purposes.

[4] Appendix A of IFRS 17 defines an experience adjustment as 'a difference between: (a) for premium receipts (and any related cash flows such as insurance acquisition cash flows and insurance premium taxes)—the estimate *at the beginning of the period* of the amounts expected in the period and the actual cash flows in the period; or (b) for insurance service expenses (excluding insurance acquisition expenses)—the estimate at the beginning of the period of the amounts expected to be incurred in the period and the actual amounts incurred in the period.'

(b) entities might treat accounting estimates made in previous interim financial statements in different ways to each other if they were permitted rather than required to apply paragraph B137 of IFRS 17.

16. Accordingly, the Board decided to retain the requirement relating to interim financial statements in paragraph B137 of IFRS 17 unchanged.

Feedback on the Exposure Draft

17. Some respondents from each region, including about half of the preparers and preparer representative bodies, commented on the requirement relating to interim financial statements in IFRS 17.

18. Most of those respondents expressed concerns about the application of the requirement as follows:

(a) some respondents noted that the requirement in paragraph B137 of IFRS 17 results in two identical entities with identical estimates of fulfilment cash flows and the same economic and non-economic factors reporting a different contractual service margin depending on the frequency of their external financial reporting, as discussed in paragraphs 9–10 of this paper. Accordingly, those respondents expressed the view that IFRS 17 does not currently ensure comparability between entities with different reporting frequency.

(b) some respondents think that the requirement in paragraph B137 of IFRS 17 results in a more significant practical burden than the burden discussed in paragraph 13 of this paper that the requirement is supposed to alleviate. Those respondents expressed the view that the practical burden would be more significant for entities in a consolidated group, as discussed in paragraph 11 of this paper.

(c) some respondents noted that the requirement in paragraph B137 of IFRS 17 results in a fundamental change to existing insurance accounting practices for entities that currently use a year-to-date basis in interim financial statements—ie for entities that currently reverse in a subsequent interim period or annual reporting period the effect of estimates and changes in estimates made in a prior interim period. Those respondents regard the retention of paragraph B137 in IFRS 17 as a major challenge in implementation processes causing unnecessary complexity and costs.

(d) other respondents said that the requirement in paragraph B137 of IFRS 17 does not result in useful information given that, applying existing insurance accounting practices, many entities do not fully update actuarial assumptions at interim periods for the purpose of applying IAS 34. Those stakeholders expressed the view that an entity should be permitted to change the treatment of accounting estimates made in previous interim financial statements when applying IFRS 17 in the annual reporting period to more accurately reflect changes in estimates and experience adjustments referring to the annual reporting period.

19. To address the concerns discussed in paragraph 18 of this paper, respondents suggested the Board amend IFRS 17 as follows:

(a) some respondents suggested deleting paragraph B137 of IFRS 17.

(b) some respondents continued to suggest amending IFRS 17 to permit, rather than require, the application of the requirement in paragraph B137 of IFRS 17, consistent with the suggestion made during the development of the Exposure Draft that the Board considered and rejected.

(c) a small number of respondents suggested amending IFRS 17 so that a subsidiary that does not prepare interim financial reports as defined in IAS 34 is permitted to account for insurance contracts issued and reinsurance contracts held on the basis of the frequency of reporting of its parent entity (ie the frequency of reporting at the consolidated level).

20. Other respondents did not express a preference on how to address the concerns discussed in paragraph 18 of this paper but expressed a view that, if the Board were to amend paragraph B137 of IFRS 17, the Board's objective should be to avoid the need for entities in a consolidated group to keep two sets of accounting estimates.

21. A small number of respondents agreed with the Board's decision not to expand paragraph B137 of IFRS 17 so that it applies to accounting estimates made in all interim reports whether or not IAS 34 is applied (see paragraphs 14–16 of this paper).

22. Two national-standard setters, who would support deleting paragraph B137 of IFRS 17, expressed the view that the approach taken by the Board in developing paragraph B137 of IFRS 17 is similar to the approach taken in IFRIC 10 *Interim Financial Reporting and Impairment.* IFRIC 10 addresses an apparent conflict between the following requirements in IAS 34:

    (a) an entity should apply the same accounting policies in its interim financial statements as it applies in its annual financial statements.

    (b) the frequency of an entity's reporting (annual, half-yearly or quarterly) should not affect the measurement of its annual results. To achieve that objective, measurements for interim reporting purposes should be made on a year-to-date basis. This might suggest that an entity should reverse in a subsequent interim period an impairment loss it recognised in a prior interim period, whereas IAS 36 *Impairment of Assets* states that an impairment loss recognised for goodwill should not be reversed in a subsequent period. IFRIC 10 states that an entity should not reverse an impairment loss recognised in a previous interim period in respect of goodwill.

23. One of those national-standard setters suggested that if the Board retains, unchanged, the requirement in paragraph B137 of IFRS 17, the Board should:

    (a) provide a more comprehensive rationale for its decision in the Basis for Conclusions on IFRS 17; and

    (b) initiate a Post-implementation Review of IAS 34 so that the Board could use feedback to make an informed decision about the future course of interim reporting.

24. A small number of respondents said they would not support the deletion of paragraph B137 of IFRS 17.

25. A small number of respondents questioned the interaction between the requirement in paragraph B137 of IFRS 17 and the annual cohort requirement in paragraph 22 of

IFRS 17. Those respondents questioned whether an entity that reports half-yearly would be prohibited from including in the same group contracts issued more than six months apart (rather than a year), considering that paragraph B137 of IFRS 17 requires that an entity does not change the treatment of accounting estimates made in previous interim financial statements when applying IFRS 17 in subsequent interim financial statements or in the annual reporting period.

Staff analysis and recommendations

26. As discussed at the November 2019 Board meeting, the staff have identified from the feedback from outreach and comment letters additional information about the balance between the cost and benefits of the requirement in paragraph B137 of IFRS 17. The staff analysis in this paper considers whether this additional information could affect the decision the Board took previously for the requirement relating to interim financial statements in IFRS 17.

27. The staff note that the feedback discussed in paragraph 18 of this paper highlights two main sources of costs for the implementation and application of the requirement in paragraph B137 of IFRS 17. They are the need to:

    (a) maintain two sets of accounting estimates; and

    (b) change existing insurance accounting practices for interim financial statements (from a year-to-date basis to a period-to-period basis).

28. Although some respondents commented on the requirement in paragraph B137 of IFRS 17, the staff note that the Board did not include a question about this requirement in the Exposure Draft. Therefore, the staff performed additional outreach to gather additional stakeholders' feedback on possible ways of amending IFRS 17 to ease IFRS 17 implementation and application, without significantly reducing the usefulness of information for users of financial statements relative to that which would otherwise result from applying paragraph B137 of IFRS 17.

29. The staff have:

(a) considered the following approaches suggested by stakeholders as discussed in paragraph 19 of this paper:

(i) Approach 1—Deleting paragraph B137 of IFRS 17;

(ii) Approach 2—Introducing an accounting policy choice; and

(iii) Approach 3—Permitting a subsidiary to account for its insurance contracts on the basis of the frequency of reporting at the consolidated level.

(b) assessed those approaches against the criteria the Board applied when developing the Exposure Draft. The Board decided that any amendments to IFRS 17 must not:

(i) change the fundamental principles of the Standard because that would result in a significant loss of useful information for users of financial statements relative to that which would otherwise result from applying IFRS 17;

(ii) unduly disrupt implementation already underway; or

(iii) further delay the effective date of IFRS 17.

(c) considered the likely effects of the suggested approaches compared to the requirements in IFRS 17 as issued in May 2017.

30. The staff note the feedback from respondents discussed in paragraph 18(d) of this paper that, applying existing insurance accounting practices, many entities do not fully update actuarial assumptions at interim periods for the purpose of applying IAS 34 and, therefore, in the view of those respondents, entities should be permitted to change the treatment of accounting estimates made in interim financial statements when applying IFRS 17 in the annual reporting period to more accurately reflect changes in estimates and experience adjustments referring to the annual reporting period. However, the staff note that none of the possible amendments to paragraph B137 of IFRS 17 discussed in this paper (including deleting paragraph B137 of IFRS 17) would in and of itself change the IFRS 17 requirement to update estimates and assumptions at interim reporting dates.

Approach 1—Deleting paragraph B137 of IFRS 17

31. As discussed in paragraph 19(a) of this paper, some respondents suggested deleting paragraph B137 of IFRS 17 so that an entity is not prohibited from changing the treatment of accounting estimates made in previous interim financial statements when applying IFRS 17 in subsequent interim financial statements or in the annual reporting period.

32. However, the staff note that:

    (a) a small number of respondents said they would not support the deletion of paragraph B137 of IFRS 17, as discussed in paragraph 24 of this paper;

    (b) one additional stakeholder informed the staff it would not support the deletion of paragraph B137 of IFRS 17 because this stakeholder thinks the application of paragraph B137 of IFRS 17 provides the most useful information; and

    (c) stakeholders that support the requirement in paragraph B137 of IFRS 17 might not have commented on this requirement, given that the Board did not include a question about this requirement in the Exposure Draft.

33. The staff think that if paragraph B137 of IFRS 17 were deleted, new questions might arise about whether or not entities could change the treatment of accounting estimates made in previous interim financial statements when applying IFRS 17 in subsequent interim financial statements or in the annual reporting period.

34. Accordingly, the staff think that deleting paragraph B137 of IFRS 17 might unduly disrupt implementation for entities that might need to revisit the work they have already done to develop systems and processes to comply with the requirement in paragraph B137 of IFRS 17.

35. The staff think that such disruption could be minimised if the Board were to allow an optional approach for the treatment of accounting estimates in interim financial statements.

Approach 2—Introducing an accounting policy choice

36. As discussed in paragraph 19(b) of this paper, some respondents continued to suggest amending IFRS 17 to permit, rather than require, the application of the requirement in paragraph B137 of IFRS 17.

37. As discussed in paragraph 14(b) of this paper, the Board considered this suggestion when developing the Exposure Draft. The Board disagreed with the suggestion because it would result in different entities treating accounting estimates made in previous interim financial statements differently. This in turn would:

    (a) add complexity for both preparers and users of financial statements.

    (b) reduce comparability between entities. If applying the requirement in paragraph B137 of IFRS 17 was an option, an entity might decide whether or not to use the option considering:

        (i) its reporting frequency compared to the reporting frequency of all or some of its competitors;

        (ii) which option is less burdensome from a practical perspective; or

        (iii) a combination of both of these factors.

38. The staff think that the Board's view discussed in paragraph 37 of this paper continues to hold.

39. However, the staff:

    (a) agree with some respondents that requiring the application of paragraph B137 of IFRS 17 does not ensure comparability between entities with different frequency of reporting, as illustrated in the example in paragraphs 9–10 of this paper;

    (b) note the feedback from some respondents discussed in paragraph 18(b) of this paper that, for some entities, the requirement in paragraph B137 of IFRS 17 results in a more significant practical burden than the burden that the Board intended to alleviate; and

(c) note that the practical burden of applying the requirements in IFRS 17 is more significant for entities that report quarterly compared to entities that report half-yearly, because of the need to determine the carrying amount of the contractual service margin and the amounts recognised in profit or loss more frequently.

40. The staff think that permitting an entity to choose whether to change the treatment of accounting estimates made in previous interim financial statements when applying IFRS 17 in subsequent interim financial statements or in the annual reporting period would enable the entity to assess what is less burdensome from a practical perspective between:

(a) maintaining two sets of accounting estimates for entities within a consolidated group with different frequency of reporting; and

(b) recalculating the carrying amount of the contractual service margin and the amounts recognised in profit or loss for a subsequent reporting period.

41. In the staff view, introducing such a choice:

(a) would ease IFRS 17 implementation by reducing implementation costs for many entities; and

(b) would not unduly impair comparability between entities if an entity were to apply consistently the same approach for all insurance contracts issued and reinsurance contracts held. This is particularly the case given that different frequency of reporting already gives rise to differences in outcomes even when all entities are required to apply paragraph B137 of IFRS 17.

42. Discussions with some users of financial statements suggest that the additional complexity of introducing an accounting policy choice as defined in IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* related to interim financial statements of entities issuing insurance contracts could be regarded as acceptable when balanced against the cost relief for those entities.[5]

[5] IAS 8 defines accounting policies as ‘the specific principles, bases, conventions, rules and practices applied by an entity in preparing and presenting financial statements.’

43. Applying IAS 8, an entity is required to:

(a) select and apply accounting policies consistently for similar transactions, other events and conditions.

(b) change an accounting policy only if the change:

(i) is required by an IFRS Standard; or

(ii) results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the entity's financial position, financial performance or cash flows.

(c) disclose the nature of a change in accounting policies and the reasons why applying the new accounting policy provides reliable and more relevant information.

Approach 3—Permitting a subsidiary to account for its insurance contracts on the basis of the frequency of reporting at the consolidated level

44. As discussed in paragraph 19(c) of this paper, a small number of respondents suggested amending IFRS 17 so that a subsidiary that does not prepare interim financial reports as defined in IAS 34 is permitted to account for insurance contracts issued and reinsurance contracts held on the basis of the frequency of reporting at the consolidated level. This suggestion would allow a subsidiary to apply paragraph B137 of IFRS 17 quarterly if its parent entity prepares consolidated group interim financial statements applying IAS 34 quarterly.

45. As discussed in paragraphs 14(a) of this paper, when developing the Exposure Draft, the Board considered a suggestion similar to the suggestion discussed in paragraph 44 of this paper that would extend the requirement in paragraph B137 of IFRS 17 to any type of reporting that is not defined elsewhere in IFRS Standards. The Board disagreed with that suggestion because it would result in different entities developing different definitions of an interim report. This in turn would:

(a) add complexity for both preparers and users of financial statements; and

(b) reduce comparability between entities.

46. Similarly, the staff think that permitting a subsidiary to account for insurance contracts issued and reinsurance contracts held on the basis of the frequency of reporting at the consolidated level would add complexity for both preparers and users of financial statements and would reduce comparability between entities. In addition, such an approach would still involve changes for entities that currently use a year-to-date basis for their interim financial statements and therefore would not significantly reduce IFRS 17 implementation and application costs for some entities.

47. The staff note that, as mentioned by some accounting firms during outreach, internal reports prepared by a subsidiary for consolidated purposes might differ from the subsidiary's financial statements for reasons other than the requirement in paragraph B137 of IFRS 17, for example for intercompany transactions and business combinations. Therefore, entities that are subsidiaries might need to maintain two sets of accounting estimates even if the Board were to amend IFRS 17 to permit a subsidiary to account for insurance contracts issued and reinsurance contracts held on the basis of the frequency of reporting at the consolidated level.

48. Accordingly, the staff think that permitting a subsidiary to account for insurance contracts issued and reinsurance contracts held on the basis of the frequency of reporting at the consolidated level would not address respondents' concerns about IFRS 17 implementation and application costs discussed in paragraph 27 of this paper.

Staff recommendation

49. On balance, the staff recommend the Board amend the requirement relating to interim financial statements in IFRS 17 to require an entity to:

    (a) make an accounting policy choice as to whether to change the treatment of accounting estimates made in previous interim financial statements when applying IFRS 17 in subsequent interim financial statements or in the annual reporting period; and

    (b) apply its choice of accounting policy to all insurance contracts issued and reinsurance contracts held (ie accounting policy choice at entity level).

50. Regarding the feedback from respondents discussed in paragraph 25 of this paper, the staff note that paragraph 28 of IFRS 17 (reflecting the proposed minor amendments in the Exposure Draft) provides requirements for adding insurance contracts to a group of insurance contracts and states that insurance contracts issued may be added to a group over a period that crosses more than one reporting period. For example, an entity may have a January–December annual reporting period and may group insurance contracts issued between July–June. The frequency of reporting does not restrict the grouping requirements in paragraphs 14–22 of IFRS 17. Therefore, the staff think the Board does not need to clarify that the application of the requirement in paragraph B137 of IFRS 17 does not affect the application of the annual cohort requirement in paragraph 22 of IFRS 17.

Question for Board members
Do you agree the Board should amend the requirement relating to interim financial statements in IFRS 17 to require an entity to: (a) make an accounting policy choice as to whether to change the treatment of accounting estimates made in previous interim financial statements when applying IFRS 17 in subsequent interim financial statements or in the annual reporting period; and (b) apply its choice of accounting policy to all insurance contracts issued and reinsurance contracts held (ie accounting policy choice at entity level)?

Appendix A—overview of the assessment of the approaches suggested by respondents against the criteria the Board applied when developing the Exposure Draft

A1. The following table provides an overview of the assessment of the approaches suggested by respondents and discussed in this paper against the criteria the Board applied when developing the Exposure Draft.

Approach	**(a) Would the suggested approach change the fundamental principles of IFRS 17 resulting in a significant loss of useful information for users of financial statements relative to that which would otherwise result from applying IFRS 17?**	**(b) Would the suggested approach unduly disrupt implementation processes already under way or risk undue delays in the effective date of IFRS 17?**
1—Deleting paragraph B137 of IFRS 17	No—The staff think that deleting paragraph B137 of IFRS 17 would not result in a significant loss of useful information for users of financial statements. Paragraph B137 of IFRS 17 was introduced to reduce costs for entities applying IFRS 17.	Yes—The staff think that deleting paragraph B137 of IFRS 17 might unduly disrupt implementation for entities that might need to revisit the work they have already done to develop systems and processes to comply with the requirement in paragraph B137 of IFRS 17.
2—Introducing an accounting policy choice	No—The staff think that introducing an accounting policy choice would not result in a significant loss of useful information for users of financial statements if an entity were to apply consistently the same approach to all insurance contracts issued and reinsurance contracts held. This is particularly the case given that different frequency of reporting already gives rise to differences in outcomes even when all entities are required to apply paragraph B137 of IFRS 17.	No—The staff think that introducing an accounting policy choice would not unduly disrupt implementation. If an entity prefers the entity could still apply paragraph B137 of IFRS 17.

Approach	(a) Would the suggested approach change the fundamental principles of IFRS 17 resulting in a significant loss of useful information for users of financial statements relative to that which would otherwise result from applying IFRS 17?	(b) Would the suggested approach unduly disrupt implementation processes already under way or risk undue delays in the effective date of IFRS 17?
3—Permitting a subsidiary to account for its insurance contracts on the basis of the frequency of reporting at the consolidated level	No—The staff think that permitting a subsidiary to account for insurance contracts issued and reinsurance contracts held on the basis of the frequency of reporting at the consolidated level would not result in a significant loss of useful information for users of financial statements. However, this approach would not address respondents' concerns about IFRS 17 implementation and application costs resulting from the need to change existing insurance accounting practices for interim financial statements and the possible need to maintain two sets of accounting estimates for reasons other than the requirement in paragraph B137 of IFRS 17.	No—The staff think that permitting a subsidiary to account for insurance contracts issued and reinsurance contracts held on the basis of the frequency of reporting at the consolidated level would not disrupt implementation. This approach would extend the application of an existing requirement of IFRS 17 to a larger set of interim reports.

Appendix B—overview of the assessment of the likely effects of the approaches suggested by respondents compared to the requirements in IFRS 17 as issued in May 2017

B1. The following table provides an overview of the assessment of the likely effects of the approaches suggested by respondents and discussed in this paper compared to the requirements in IFRS 17 as issued in May 2017.

Approach	Financial statements effects	Cost-benefit analysis
1—Deleting paragraph B137 of IFRS 17	Deleting paragraph B137 of IFRS 17: (a) might result in entities recalculating amounts previously reported in interim financial statements in subsequent interim periods and for the annual reporting period; and (b) would not affect the financial statements of entities that do not produce interim financial statements applying IAS 34.	Deleting paragraph B137 of IFRS 17 might result in a significant practical burden for entities that report more frequently than annually, because of the recalculation of the carrying amount of the contractual service margin and the amounts recognised in profit or loss.

Approach	Financial statements effects	Cost-benefit analysis
2—Introducing an accounting policy choice	Introducing an accounting policy choice would result in different entities applying different accounting policies. An entity would either change or not change the treatment of accounting estimates made in previous interim financial statements when applying IFRS 17 in subsequent interim financial statements or in the annual reporting period.	The staff think that introducing an accounting policy choice would ease IFRS 17 implementation by reducing implementation costs. An entity would assess what is less burdensome from a practical perspective between: (a) maintaining two sets of accounting estimates for entities within a consolidated group with different frequency of reporting; and (b) recalculating the carrying amount of the contractual service margin and the amounts recognised in profit or loss for a subsequent reporting period. The staff think that the additional complexity of introducing an accounting policy choice related to interim financial statements of entities issuing insurance contracts could be regarded as acceptable when balanced against the cost relief for those entities.
3—Permitting a subsidiary to account for its insurance contracts on the basis of the frequency of reporting at the consolidated level	Permitting a subsidiary to account for insurance contracts issued and reinsurance contracts held on the basis of the frequency of reporting at the consolidated level would permit subsidiaries to align the measurement of those contracts in their statutory financial statements and in the consolidated financial statement of their parent entity.	Permitting a subsidiary to account for insurance contracts issued and reinsurance contracts held on the basis of the frequency of reporting at the consolidated level would add complexity for both preparers and users of financial statements and would reduce comparability between entities. In addition, such an approach would still involve changes for entities that currently use a year-to-date basis for their interim financial statements and therefore would not significantly reduce IFRS 17 implementation and application costs for some entities.