

STAFF PAPER

March 2020

IASB® meeting

Project	Amendments to IFRS 17		
Paper topic	Due process steps and permission for balloting		
CONTACT(S)	Hyejin Lee	hlee@ifrs.org	+44 (0)20 7246 6453
	Roberta Ravelli	rravelli@ifrs.org	+44 (0)20 7246 6935

This paper has been prepared for discussion at a public meeting of the International Accounting Standards Board (Board) and does not represent the views of the Board or any individual member of the Board. Comments on the application of IFRS® Standards do not purport to set out acceptable or unacceptable application of IFRS Standards. Technical decisions are made in public and reported in IASB® *Update*.

Purpose of the paper

1. At its February 2020 meeting, the International Accounting Standards Board (Board) concluded its planned technical discussions of the amendments to IFRS 17 *Insurance Contracts*. Agenda Paper 2A *Effective date of IFRS 17 and IFRS 9 temporary exemption in IFRS 4* of this meeting asks the Board to confirm the deferral of the effective date of IFRS 17 and the extension of the fixed expiry date for the temporary exemption in IFRS 4 *Insurance Contracts* from applying IFRS 9 *Financial Instruments*.
2. The purpose of this paper is to:
 - (a) set out the steps in the [IFRS Foundation Due Process Handbook](#) (the *Due Process Handbook*) that the Board has taken in developing the amendments to IFRS 17;
 - (b) ask the Board to confirm that it is satisfied that it has complied with the due process requirements;
 - (c) seek the Board's permission to begin the balloting process for the amendments to IFRS 17; and
 - (d) ask whether any Board member intends to dissent from the issuance of the amendments to IFRS 17.

3. To assist the Board in its decisions, the staff have prepared Agenda Paper 2C *Overview of the amendments to IFRS 17*, which:
 - (a) summarises the Board’s tentative decisions in the redeliberations on the Exposure Draft *Amendments to IFRS 17*;
 - (b) evaluates each of the amendments against the criteria the Board set for assessing any amendment to IFRS 17 (see paragraph 7 of this paper); and
 - (c) considers the likely effects of the amendments to IFRS 17.

Structure of the paper

4. This paper provides:
 - (a) background (paragraphs 6–11 of this paper);
 - (b) re-exposure (paragraphs 12–18 of this paper);
 - (c) intention to dissent (paragraphs 19–20 of this paper);
 - (d) confirmation of due process steps (paragraphs 21–22 of this paper); and
 - (e) proposed timetable for balloting and publication (paragraphs 23–24 of this paper).
5. Appendix A to this paper outlines the actions taken by the Board to comply with the due process requirements.

Background

6. In June 2019 the Board issued the Exposure Draft *Amendments to IFRS 17*. The Exposure Draft proposed targeted amendments to IFRS 17 to respond to concerns and challenges raised by stakeholders as IFRS 17 is being implemented.
7. In developing the Exposure Draft, the Board considered the concerns and challenges raised by stakeholders and concluded that the potential costs of proposing targeted amendments to IFRS 17 could be justified if those amendments would provide meaningful support to entities implementing the Standard and if those amendments:
 - (a) would not 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; and
 - (b) would avoid unduly disrupting implementation already under way or risking undue delays in the effective date of IFRS 17.
8. With the approval of the Due Process Oversight Committee, the Board set a comment period for the Exposure Draft of 90 days.¹ The 90-day comment period ended on 25 September 2019. During the comment period, Board members and staff held about 70 meetings with stakeholders in 14 jurisdictions to present the proposals and gather feedback on the Exposure Draft. The Board received 123 comment letters.
9. At its October and November 2019 meetings, the Board discussed the feedback from outreach and comment letters on the Exposure Draft.

¹ In setting a comment period less than the normal minimum period of 120 days, the Board considered 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 were expected to provide comments to the targeted amendments to IFRS 17, are following the project to amend IFRS 17 very closely. 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 proposed amendments to IFRS 17 to minimise any disruption created by them for both users and preparers of financial statements.

10. In the light of the feedback, at its November 2019 meeting, the Board decided on its plan for redeliberating some of the matters raised by respondents on the Exposure Draft. The Board tentatively decided:
- (a) the proposed amendments the Board would confirm at a future meeting without substantive redeliberation;
 - (b) the topics for which the Board would consider further the feedback from respondents; and
 - (c) the topics for which the Board would not consider further the feedback from respondents.
11. Following the redeliberation plan, at its meetings from December 2019 to February 2020, the Board:
- (a) tentatively decided to finalise six amendments as proposed in the Exposure Draft;
 - (b) considered further the feedback from respondents and concluded to retain, unchanged, the requirements in IFRS 17 for the following topics:
 - (i) transition—the prohibition from applying the risk mitigation option retrospectively;
 - (ii) business combinations—contracts acquired in their settlement period; and
 - (iii) level of aggregation—annual cohorts for some insurance contracts with intergenerational sharing of risks between policyholders.
 - (c) considered further the feedback from respondents on the remainder of the topics and tentatively decided to make some changes to the proposals in the Exposure Draft (see paragraph 15 of this paper).

Re-exposure

12. Having considered the criteria for re-exposure in paragraphs 6.25–6.29 of the *Due Process Handbook*, the staff recommend the Board not re-expose the amendments to IFRS 17.

Evaluating the revisions to the Exposure Draft

13. As noted in paragraph 6.26 of the *Due Process Handbook*, it is inevitable that final amendments to a Standard will include changes from those originally proposed, and that the fact there are changes does not in itself compel the Board to re-expose the proposals. The staff have assessed in paragraphs 14–15 of this paper the changes against the requirements in the *Due Process Handbook*.
14. The staff note that in most cases, the Board confirmed the proposals in the Exposure Draft with only limited changes. As a result, the amendments to IFRS 17 as a whole do not differ fundamentally from the amendments proposed in the Exposure Draft on which the Board has received extensive feedback.
15. The staff observe that all changes made to the proposals in the Exposure Draft have been in response to concerns and suggestions made in the comment letters and outreach. These changes include:
 - (a) scope exclusion for credit card contracts—add a requirement for the separation of the insurance coverage component in some credit card contracts and extend the scope exclusion to other contracts that provide credit or payment arrangements that are similar to the credit card contracts captured by the scope exclusion proposed in the Exposure Draft;
 - (b) expected recovery of insurance acquisition cash flows—add requirements for the identification, recognition and measurement of an asset for insurance acquisition cash flows for contracts at transition and for contracts acquired;
 - (c) contractual service margin attributable to investment-return and investment-related service—add a requirement to include, as cash flows within the boundary of an insurance contract, some costs related to investment activities;
 - (d) reinsurance contracts held, recovery of losses on underlying insurance contracts—extend the scope of the proposed amendment to apply to a wider population of reinsurance contracts held compared to the population captured by the proposal in the Exposure Draft;

- (e) applicability of the risk mitigation option—extend the scope of the risk mitigation option to non-derivative financial instruments at fair value through profit or loss;
- (f) interim financial statements—introduce an accounting policy choice to permit an entity to choose 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;
- (g) additional specific transition modifications and reliefs—add simplifications:
 - (i) for the assessment of investment contracts with discretionary participation features at transition;
 - (ii) for accounting for reinsurance contracts held at transition when underlying insurance contracts are onerous; and
 - (iii) for entities that make an accounting policy choice not to change the treatment of accounting estimates made in previous interim financial statements.
- (h) minor amendments—resolve an inconsistency in the requirements in IFRS 17 relating to policyholder taxes.

Weighting the costs of re-exposure against the benefits

16. Paragraph 6.27 of the *Due Process Handbook* suggests that the Board should consider the costs of delaying improvements to financial reporting against the relative urgency for the need to change and what additional steps it has taken to consult since the Exposure Draft was published. The staff note that Board’s criteria for amendments to IFRS 17 are intended to limit the costs of any delay to the implementation of IFRS 17 caused by the amendments.

Staff conclusions

17. In the staff's view, although there are changes from those originally proposed in the Exposure Draft:
 - (a) the Board's tentative decisions to amend the proposals in the Exposure Draft respond to the feedback and do not include any fundamental changes on which respondents have not had the opportunity to comment; and
 - (b) the extensive consultation that the Board has undertaken means that it is unlikely that the Board would learn anything significantly new by re-exposing the proposals or that re-exposure would reveal any new concerns on the targeted amendments to IFRS 17.
18. Accordingly, the staff believe the Board should proceed to finalise the amendments to IFRS 17 based on the Board's tentative decisions to date.

Intention to dissent

19. In accordance with paragraph 6.23 of the *Due Process Handbook*, the staff are asking whether any Board member intends to dissent from the amendments to IFRS 17.
20. No Board member dissented from the Exposure Draft. Any Board members who intend to dissent from the final amendments are asked to make their intention known at this meeting.

Confirmation of due process steps

21. The required due process steps for the issuance of the amendments to IFRS 17 are summarised in Appendix A to this paper. This appendix demonstrates that the required due process steps to date for the issuance of the amendments have been completed. The remaining due process steps will be completed before the issuance of the amendments.

22. Therefore, the staff request permission to start the balloting process if the Board is satisfied that it:
- (a) has been provided with sufficient analysis; and
 - (b) has undertaken appropriate consultation and due process to support issuing the amendments.

Proposed timetable for balloting and publication

23. The balloting process of *Amendments to IFRS 17* will commence in March 2020, with the final amendments planned to be issued in the second quarter of 2020.
24. The staff recommend that the amendment to IFRS 4—reflecting the extension of the fixed expiry date for the temporary exemption from applying IFRS 9—is balloted separately from the *Amendments to IFRS 17* (including consequential amendments to other IFRS Standards).

Questions for Board members

1. **Re-exposure**—do you agree that the Board should not re-expose the amendments to IFRS 17?
2. **Dissent**—do you intend to dissent from the issuance of the amendments to IFRS 17 or the amendment to IFRS 4?
3. **Permission to ballot**—are you satisfied that the Board has complied with the applicable due process requirements and that it has undertaken sufficient consultation and analysis to begin the balloting process for the amendments to IFRS 17 and the amendment to IFRS 4?

Appendix A—due process steps taken in the development of the amendments to IFRS 17

A1. The following table sets out the required due process steps taken by the Board.

Step	Actions
Consideration of information gathered during consultation	
The Board posts all of the comment letters that are received in relation to the Exposure Draft on the project pages.	The Board received 123 comment letters on the Exposure Draft. All comment letters received were posted on the IFRS Foundation website . The outreach summary and comment letter analysis are also available on the website. ²
Board meetings held in public, with papers available for observers. All decisions are made in public session.	The Board discussed all the proposals in the Exposure Draft and the feedback to those proposals in public meetings. All papers including staff analysis and recommendations are posted, meetings recorded and the decisions documented in the relevant section of the project page on the IFRS Foundation website.
Consultation with the Trustees and the IFRS Advisory Council.	The Trustees were informed about the amendments to IFRS 17 as part of the regular reporting to them (October 2018, January 2019, June 2019, October 2019, February 2020). The IFRS Advisory Council was informed about the amendments to IFRS 17 as part of the regular reporting to them about the activities of the Board (March 2019, September 2019).
Consultative groups used, if formed.	Although the Board did not establish a consultative group, the amendments to IFRS 17 respond to some of the concerns and challenges that were discussed by the Transition Resource Group for IFRS 17 (TRG). ³ The Board sought the advice of the Accounting Standards Advisory Forum (ASAF) on the proposals at the ASAF meeting in December 2018, April 2019 and December 2019.

² See Agenda Paper 2A *Outreach summary* of the October 2019 Board meeting, Agenda Paper 2A *Comment letter summary—overview and introduction*, Agenda Paper 2B *Comment letter summary—feedback on the questions in the Exposure Draft* and Agenda Paper 2C *Comment letter summary—other comments* of the November 2019 Board meeting.

³ The Board established a working group to help it analyse accounting issues relating to insurance contracts. The group brought together a wide range of interests and includes senior financial executives involved in financial reporting. The issuance of IFRS 17 in May 2017 brought the work of the Insurance Working Group to a conclusion.

Step	Actions
Outreach meetings with a broad range of stakeholders, with special effort to consult investors.	During the 90-day comment period of the Exposure Draft, Board members and staff held about 70 meetings in 14 jurisdictions to present the proposals and gather feedback on the Exposure Draft. Those meetings included targeted outreach with users of financial statements.
Webcasts and podcasts to provide interested parties with high-level updates or other useful information about specific projects.	Board members and staff have recorded podcasts covering Board meetings about the amendments to IFRS 17. Those podcasts are available on the IFRS Foundation website and YouTube channel.
Analysis of the likely effects of the forthcoming Standard or major amendment, for example, initial costs or ongoing associated costs.	Agenda Paper 2C of this meeting considers the likely effects of the amendments compared to the requirements in IFRS 17 as issued in May 2017.
Finalisation	
Due process steps reviewed by the Board.	This paper asks the Board to review the due process steps and whether the Board is satisfied that it has complied with the applicable due process steps.
Need for re-exposure of a Standard is considered.	The analysis of the need to re-expose the amendments to IFRS 17 is included in paragraphs 12–18 of this paper.
The Board sets an effective date for the Standard, considering the need for effective implementation, generally providing at least a year.	At this meeting, the Board is asked to decide on the effective date of IFRS 17 (incorporating the amendments).
Drafting	
Drafting quality assurance steps are adequate.	<p>The translations, taxonomy and editorial teams will review drafts during the balloting process.</p> <p>The staff intend to send a draft of the amendments to external parties for review before finalisation. This review allows external parties to report back to the staff on the clarity and understandability of the draft.</p>
Publication	
Standard is published.	The amendments will be made available on the IFRS Foundation website when published.

Step	Actions
A Feedback Statement is provided, which provides high level executive summaries of the Standard and explains how the Board has responded to the comments received.	According to paragraph 6.38 of the <i>Due Process Handbook</i> , a Feedback Statement is required for all new IFRS Standards and major amendments. Although the amendments to IFRS 17 are narrow in scope, the staff think that a Feedback Statement would be helpful to summarise the Board's responses to feedback. Therefore, the staff plan to make a Feedback Statement available with the amendments.
Press release to announce publication of the final Standard.	A press release will be published with the amendments.
Project summary to explain the rationale and basic concepts included in the final Standard.	A project summary will be published with the amendments.