

Amendments to IFRS 17 *Insurance Contracts*

25 June 2020

Introducing the amendments

The views expressed in this presentation are those of the presenter, not necessarily those of the International Accounting Standards Board or the IFRS Foundation.

Timeline

Purpose of the amendments to IFRS 17

Overview of the amendments to IFRS 17

Materials published in June 2020

What's next

Appendix: educational materials



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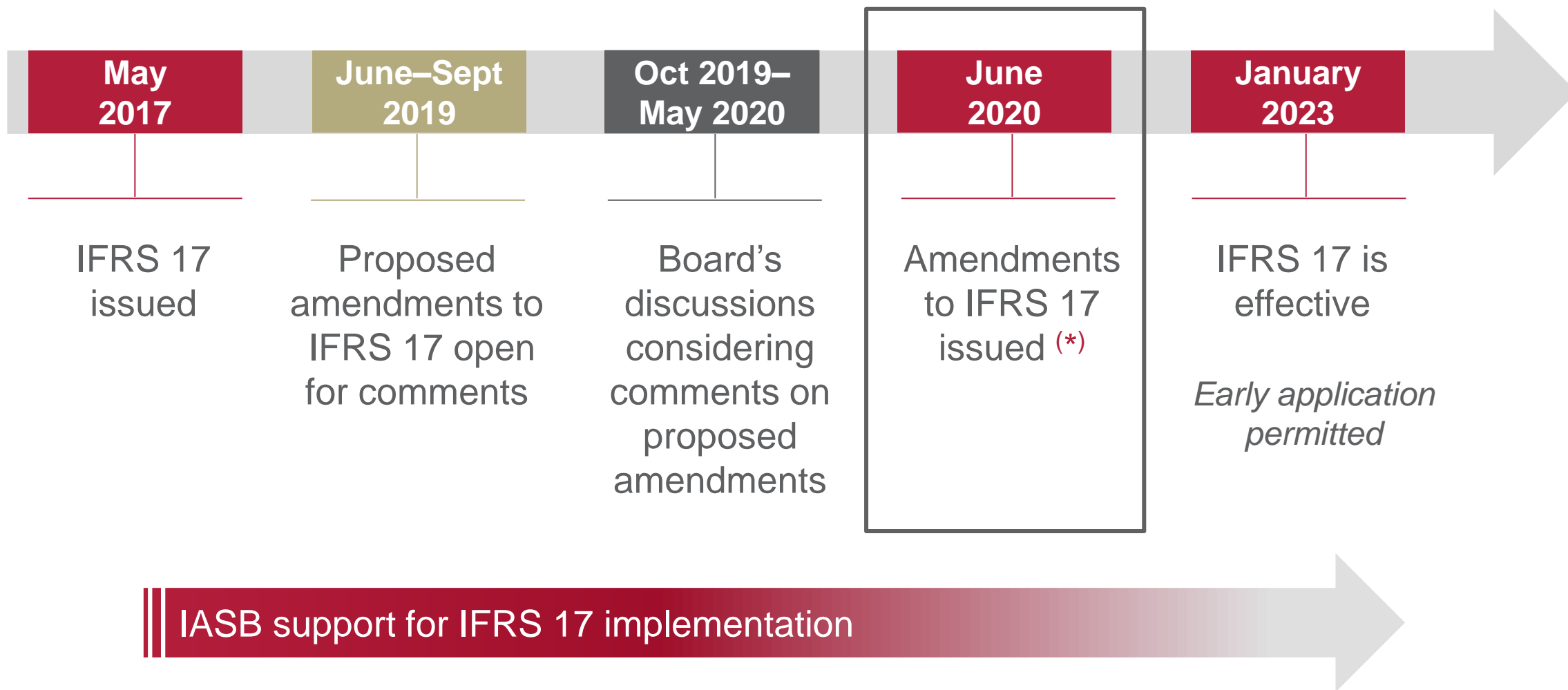
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The slides used in this presentation are available for download on the IFRS Foundation website:

<https://www.ifrs.org/projects/work-plan/amendments-to-ifrs-17/>

Timeline



(*) The package of amendments issued in June 2020 also includes one amendment to IFRS 4 *Insurance Contracts* regarding the extension of the temporary exemption from applying IFRS 9 *Financial Instruments*



To aid companies implementing the new requirements in IFRS 17

The targeted amendments

address many of the concerns and challenges raised by companies implementing IFRS 17

1

reduce IFRS 17 costs for companies

2

make the results of applying IFRS 17 easier to explain for companies

3

ease transition to IFRS 17

The criteria set by the Board

- Amending a recently issued Standard carries a risk of disrupting implementation under way
- Need to
 - demonstrate an amendment is justified
 - consider only amendments that meet the following criteria



Avoid unduly disruption of implementation under way



Avoid significant loss of useful information for investors

Relevance and faithful representation

Comparability

Consistency

Understandability / Complexity

What are the implications?

7



The fundamental principles of IFRS 17 do not change

The improvements introduced by IFRS 17 are unaffected

More useful and transparent information

- Current assumptions regularly updated
- Options and guarantees fully reflected
- Discount rates reflect characteristics of the insurance liability

Consistent recognition of revenue and profits for insurance contract services

- Revenue recognition more consistent with other IFRS Standards / other industries
- Profits recognised as services are provided
- Additional metrics to evaluate performance

Overview of the amendments to IFRS 17

Why?	How?	What?
1 To reduce costs	<ul style="list-style-type: none">By simplifying some requirements	<ul style="list-style-type: none">Contracts to which IFRS 17 appliesBalance sheet presentationThe effect of previous interim reports
2 To make results easier to explain	<ul style="list-style-type: none">By revising some requirements generating results difficult to explain in some circumstances	<ul style="list-style-type: none">Acquisition costsReinsurance contracts heldProfit recognitionUse of the risk mitigation option
3 To ease transition	<ul style="list-style-type: none">By extending the implementation periodBy providing additional transition reliefs	<ul style="list-style-type: none">Effective date of IFRS 17, temporary exemption from IFRS 9Contracts acquired before transition, risk mitigation option at transition, investment contracts with DPF

Project Summary and Feedback Statement

June 2020

IFRS® Standards
Project Summary and Feedback Statement

Amendments to IFRS 17

1 Amendments to reduce costs

2 Amendments to make the results easier to explain

3 Amendments to ease transition

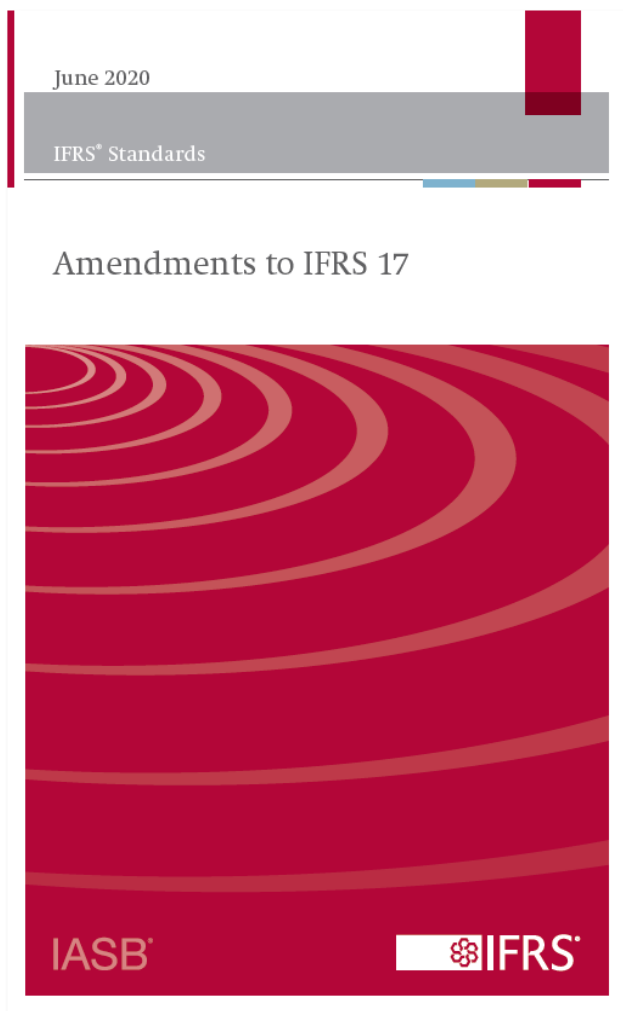
1—Feedback on proposed amendments

2—Feedback on topics with no proposed amendments

Topic	Feedback	The Board's response
2.1—Annual cohorts The annual cohort requirement in IFRS 17 prohibits a company from including in the same group contracts issued more than one year apart. A company may incur costs to apply this requirement because the company needs to identify the contractual service margin for each annual cohort. However, the Board concluded that information about higher or lower profits earned by the company from different generations of contracts is sufficiently useful information to justify such costs.	Some respondents, including users of financial statements and securities regulators, agreed with the Board's decision to retain the requirement unchanged and urged the Board to reaffirm its decision. Other respondents asked the Board to amend or delete the requirement. Some respondents commented that applying the annual cohort requirement to insurance contracts with intergenerational sharing of risks between policyholders may fail to reflect the intergenerational sharing of risks, and may result in arbitrary allocations between annual cohorts as well as higher implementation costs.	The Board concluded that annual cohorts are necessary to provide useful information about an insurance company's financial performance, in particular information about changes in profitability over time, including for insurance contracts that share risks across generations of policyholders. Any exemption from the requirement runs too great a risk of an unacceptable loss of information, even if the exemption were aimed at a very limited population of contracts. Therefore, the Board reaffirmed its decision to retain the annual cohort requirement unchanged. ⁵

continued ...

- The **Project Summary** provides an overview of the targeted amendments to IFRS 17 issued in June 2020
- The **Feedback Statement** summarises how the Board responded to feedback on proposals that led to the amendments
- Free access to the document on www.ifrs.org:
<https://www.ifrs.org/projects/work-plan/amendments-to-ifrs-17/#supporting-material>



Amendments to the requirements in IFRS 17



New paragraphs to be added to the Basis for Conclusions on IFRS 17

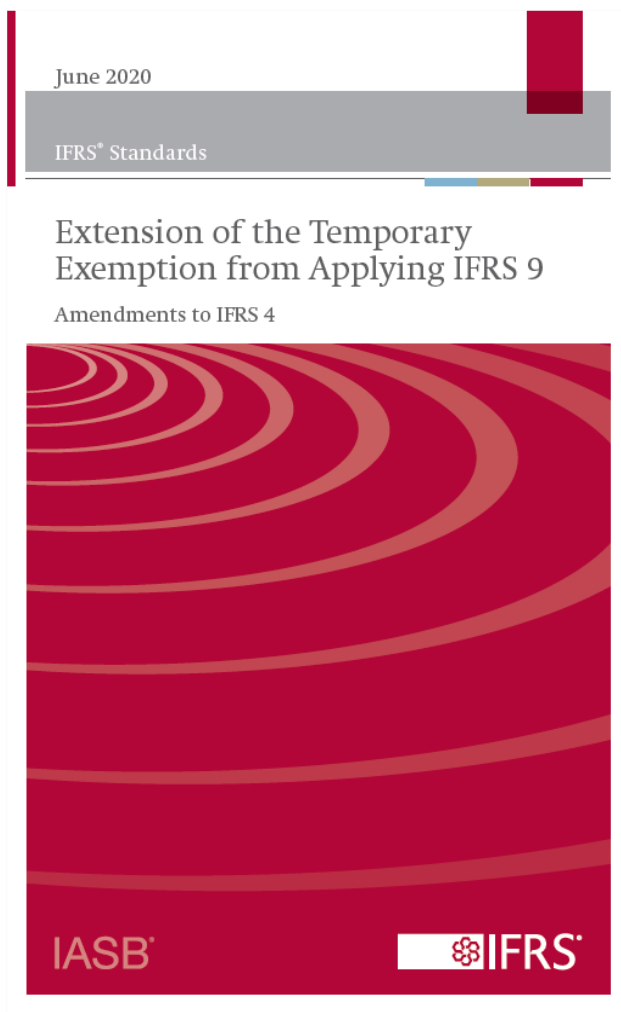


Amendments to the Illustrative Examples on IFRS 17



Consequential amendments to the requirements in other IFRS Standards





Amendment to the expiry date for the temporary exemption



New paragraphs to be added to the Basis for Conclusions on IFRS 4





It is time to focus on implementation



Educational webcast on amendments to
IFRS 17

Appendix

Educational materials

1

Introduction to IFRS 17

2

Scope of IFRS 17

3

Measurement essentials of IFRS 17

4

Simplified accounting for contracts with short coverage periods

5

Reinsurance contracts held

6

Recognition and derecognition

7

Transition to IFRS 17

8

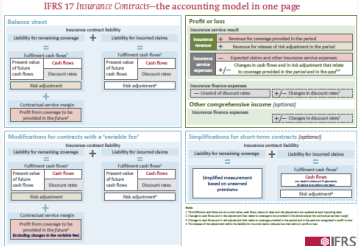
Level of aggregation

9

Recognising the contractual service margin in profit or loss

10

Insurance contracts with participation and other features

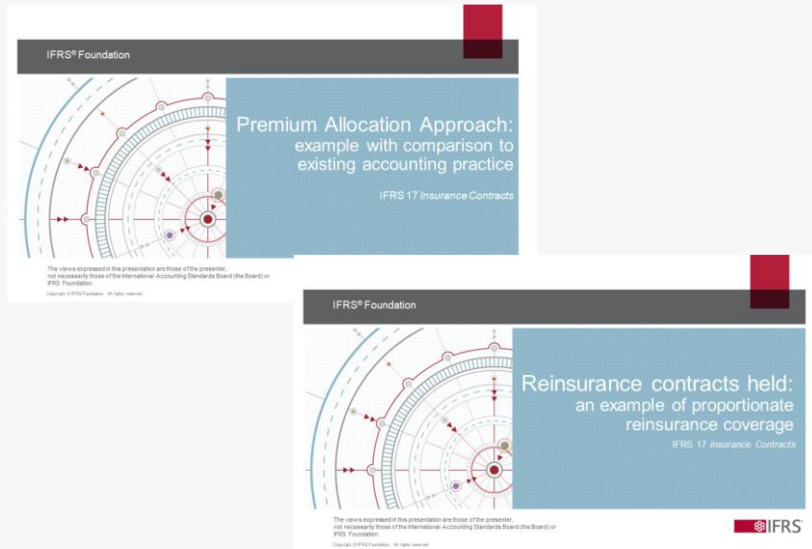


The screenshot shows a complex flowchart titled "IFRS 17 Insurance Contracts—the accounting model in one page". It details the calculation of the liability for incurred claims, starting from the liability for incurred claims (L_{IC}) and adding the contractual service margin (CSM) and other comprehensive income (OCI). The diagram includes various components like the liability for incurred claims, the contractual service margin, and the OCI, and shows how they are calculated and adjusted. It also includes a section for "Simplifications for short-term contracts (optional)" and "Simplifications for contracts with a 'variable fee'".

Summary of the IFRS 17 accounting model in one page

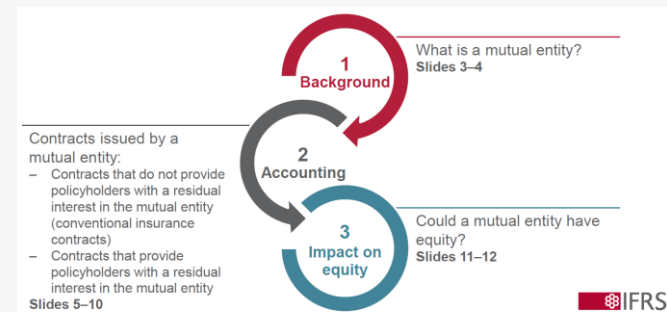
Examples

- 1 | Premium allocation approach—comparison to existing accounting practice
- 2 | Reinsurance contracts held—proportionate reinsurance coverage



IFRS 17 **pocket guide** on reinsurance contracts held

IFRS 17 and mutual entities






IFRS 17 for investors

How does IFRS 17 work and what does it mean for investors?

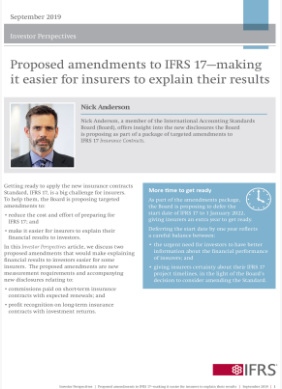
Available on IFRS Foundation website and on IFRS Foundation YouTube channel



The Essentials for investors—translates existing terminology and metrics into the language of IFRS 17



Investor Perspectives: Accounting to reflect economics—why the unit of account matters to investors



Investor Perspectives: Proposed amendments to IFRS 17—making it easier for insurers to explain their results

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