

Amendments to IFRS 17

Part 1: requirements other than transition

IFRS 17 *Insurance Contracts*

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Part 1—amendments to IFRS 17 requirements other than transition (this webcast)

Part 2—amendments to IFRS 17 transition requirements (separate webcast)

Appendix—educational materials



Vitalina Kobernik
Technical staff



Laura Kennedy
Technical staff



Further information

- Slides to this webcast (available here: <https://www.ifrs.org/supporting-implementation/supporting-materials-by-ifrs-standard/ifrs-17/#webcasts>)



Webcasts published after IFRS 17 was issued in 2017

- 1 Introduction
- 2 Scope
- 3 Measurement
- 4 Premium allocation approach
- 5 Reinsurance contracts held
- 6 Recognition and derecognition
- 7 Transition
- 8 Level of aggregation
- 9 Recognising the CSM
- 10 Participation and other features



Webcasts published after IFRS 17 was amended in 2020

- 11 Amendments to IFRS 17
 - Part 1: requirements other than transition
 - Part 2: transition requirements



Further information

- IFRS 17 webcast series (available here: <https://www.ifrs.org/supporting-implementation/supporting-materials-by-ifrs-standard/ifrs-17/#webcasts>)

Amendments to IFRS 17

Amendments in this webcast

Connected webcasts* (see slide 3)

Effective date of IFRS 17

1

Introduction

Scope of IFRS 17

2

Scope

Reinsurance contracts held

5

Reinsurance contracts held

Insurance acquisition cash flows

6

Recognition and derecognition

Profit recognition

9

Recognising the CSM

The effect of previous interim reports

9

Balance sheet presentation

8

Level of aggregation

Use of the risk mitigation option

10

Participation and other features

3

Measurement

* This slide lists the webcasts each amendment is most closely connected to (ie relate to the same topic). It is not an exhaustive list of all connections to other webcasts. Some aspects covered in some connected webcasts are affected by the amendments.



Further information

- Project Summary and Feedback Statement—Amendments to IFRS 17 (available here: <https://cdn.ifrs.org/-/media/project/amendments-to-ifrs-17/project-summary-amends-to-ifrs17.pdf>)
- Webcast—Introducing Amendments to IFRS 17 (available here: <https://www.ifrs.org/projects/2020/amendments-to-ifrs-17/webcast-introducing-amendments-to-ifrs-17/>)

Effective date of IFRS 17

- **Before:** effective date of 1 January 2021 with early application permitted
- **After:** effective date deferred by two years to 1 January 2023 with early application permitted



* 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*.

** An entity is required to apply IFRS 17 for annual reporting periods beginning on or after 1 January 2023. Early application is permitted for entities that also apply IFRS 9.



Further information

- Paragraphs C1–C2 and C25–C28 of IFRS 17 (as amended in June 2020)
- Paragraphs BC387–BC389A and BC402–BC406 of the Basis for Conclusions on IFRS 17 (as amended in June 2020)
- Webcast—01 Introduction to IFRS 17 (available here: <https://www.ifrs.org/supporting-implementation/supporting-materials-by-ifrs-standard/ifrs-17/#webcasts>)

Scope of IFRS 17

Credit cards and similar contracts

6

- **Before:** applies to all insurance contracts with some specific exclusions
- **After:** one new **scope exclusion** added to IFRS 17



Further information:

- Paragraphs 3–8A of IFRS 17 (as amended in June 2020)
- Paragraphs BC87–BC97 of the Basis for Conclusions on IFRS 17 (as amended in June 2020)
- Webcast—02 Scope of IFRS 17 (available here: <https://www.ifrs.org/supporting-implementation/supporting-materials-by-ifrs-standard/ifrs-17/#webcasts>)

Scope of IFRS 17

Some loan contracts

- **Before:** choice to apply IFRS 17 or another IFRS Standard for some contracts
- **After:** one new **choice** added to IFRS 17 scope requirements

	Contracts	Choice	Conditions
Choices in IFRS 17 as issued in 2017	Specified financial guarantee contracts	IFRS 17 or IFRS 9	Choice by contract . Choice is irrevocable
	Specified fixed-fee service contracts	IFRS 17 or IFRS 15	Choice by contract . Choice is irrevocable
Choice added in 2020	Specified loan contracts (eg loans with death waivers)	IFRS 17 or IFRS 9	Choice by portfolio . Choice is irrevocable



Further information:

- Paragraphs 3–8A of IFRS 17 (as amended in June 2020)
- Paragraphs BC87–BC97 of the Basis for Conclusions on IFRS 17 (as amended in June 2020)
- Webcast—02 Scope of IFRS 17 (available here: <https://www.ifrs.org/supporting-implementation/supporting-materials-by-ifrs-standard/ifrs-17/#webcasts>)

Reinsurance contracts held

- **Before:** net cost (or net gain) of reinsurance contracts held recognised over time
- **After:** loss recoveries on reinsurance contracts held recognised at same time as day 1 losses on onerous underlying insurance contracts issued* and adjusted net cost (or net gain) recognised over time

Example:

Insurance contracts issued	
Premiums	100
Claims	(150)
Loss (recognised on day 1)	(50)**

Reinsurance contracts held	
Reinsurance premiums	(125)
Claim recoveries (80%)	120
Net cost	(5)

	Recognised on day 1	Recognised over time	Total
Before amendment	-	(5)	(5)
After amendment	40**	(45)	(5)

* Amendment applies only for reinsurance contracts entered into before or at the same time as the underlying insurance contracts.

** Applying the amendment, the loss of 50 is treated as early recognition of 50/150 claims. The loss recovery of 40 is treated as early recognition of 40/120 claim recoveries (loss of 50 x 80% reinsurance cover).



Further information:

- Paragraphs 60–70A and B119C–B119F of IFRS 17 (as amended in June 2020)
- Paragraphs BC310–BC315L of the Basis for Conclusions on IFRS 17 (as amended in June 2020)
- Webcasts—05 Reinsurance contracts held and 03 Measurement essentials (available here: <https://www.ifrs.org/supporting-implementation/supporting-materials-by-ifrs-standard/ifrs-17/#webcasts>)

Insurance acquisition cash flows

- **Before:** insurance acquisition cash flows paid (eg commissions paid) are recognised as an asset until the initial insurance contracts they relate to are recognised
- **After:** a portion of such an asset continues to be recognised until expected renewals of those initial insurance contracts are recognised in the future

Example: Contracts with one-year coverage period

Before amendment				After amendment			
	Year 1 (initial contract)	Year 2 (expected renewal)	Year 3 (expected renewal)		Year 1 (initial contract)	Year 2 (expected renewal)	Year 3 (expected renewal)
Premiums	100	100	100	Premiums	100	100	100
Claims	-	-	-	Claims	-	-	-
Commissions	(150)	-	-	Commissions	(50)	(50)	(50)
Profit/(loss)	(50)	100	100	Profit	50	50	50
				Asset for insurance acquisition cash flows at end of year	(100)	(50)	-

Subject to impairment test*

* If facts and circumstances indicate asset may be impaired.



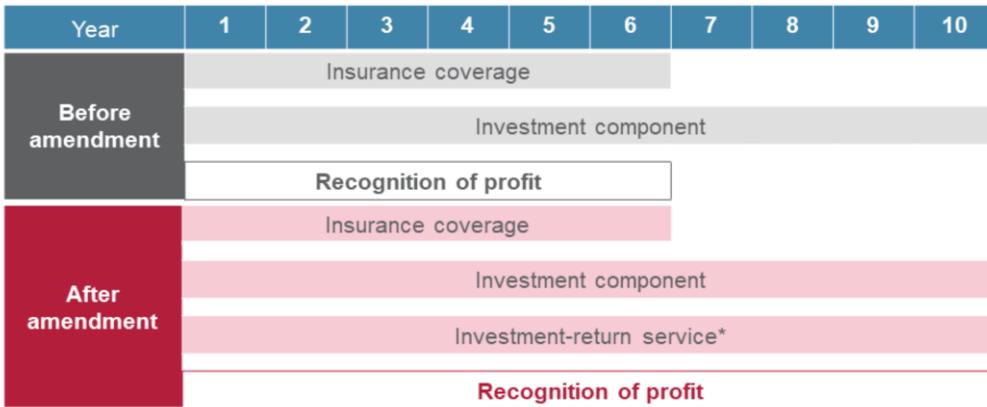
Further information:

- Paragraphs 28A–28F and B35A–B35D of IFRS 17 (as amended in June 2020)
- Paragraphs BC175–BC184K of the Basis for Conclusions on IFRS 17 (as amended in June 2020)
- Webcasts—06 Recognition and derecognition and 03 Measurement essentials (available here: <https://www.ifrs.org/supporting-implementation/supporting-materials-by-ifrs-standard/ifrs-17/#webcasts>)

Profit recognition

- **Before:** for general model contracts profit is recognised over time as the entity provides insurance coverage
- **After:** for general model contracts profit is recognised over time as the entity provides insurance coverage and investment-return service (if any)

Example:



* Not all insurance contracts with an investment component provide investment-return service.

Further information:

- Paragraphs 44(e), 45(e) and B119–B119B of IFRS 17 (as amended in June 2020)
- Paragraphs BC279–BC283J of the Basis for Conclusions on IFRS 17 (as amended in June 2020)
- Webcasts—09 Recognising the CSM in profit or loss and 03 Measurement essentials (available here: <https://www.ifrs.org/supporting-implementation/supporting-materials-by-ifrs-standard/ifrs-17/#webcasts>)

The effect of previous interim reports

- **Before:** an entity is required not to change the treatment of estimates made in previous interim reports in subsequent interim reports and in the annual report
- **After:** an entity can choose whether or not to change the treatment of estimates made in previous interim reports

Example: Two-year contract accounted for applying the general model*

At inception

Premium of 100 received
Fulfilment cash flows 50 + CSM 50 = liability 100

Change in estimates

In Q4 the insurer changes its expectation for Year 2: cash out flows increase by 30 and CSM is reduced correspondently

	CSM recognised in P&L	Q1	Q2	Q3	CSM in P&L for Year 1	CSM end of Year 1
Before amendment	Period-to-period basis	6.25	6.25	6.25	19	1
After amendment (choice)	Period-to-period basis	6.25	6.25	6.25	19	1
	Year-to-date basis	6.25	6.25	6.25	10	10

* Example ignores risk adjustment and discounting.



Further information:

- Paragraph B137 of IFRS 17 (as amended in June 2020)
- Paragraphs BC232–BC236D of the Basis for Conclusions on IFRS 17 (as amended in June 2020)
- Webcasts—09 Recognising the CSM in profit or loss and 03 Measurement essentials (available here: <https://www.ifrs.org/supporting-implementation/supporting-materials-by-ifrs-standard/ifrs-17/#webcasts>)

Balance sheet presentation

- **Before:** groups of insurance contract that are assets and those that are liabilities presented separately
- **After:** portfolios of insurance contracts that are assets and those that are liabilities presented separately (ie presented at a higher level)

Example:

Balance sheet	Before amendment	After amendment
Assets		
Insurance contracts issued	Group A	
Liabilities		
Insurance contracts issued	Groups B+C	Portfolio 1

Portfolio 1 (overall liability)

Consisting of:

Group A
(asset)

Group B
(liability)

Group C
(liability)

Further information:

- Paragraphs 78–79 of IFRS 17 (as amended in June 2020)
- Paragraphs BC328–BC330D of the Basis for Conclusions on IFRS 17 (as amended in June 2020)
- Webcast—08 Level of aggregation (available here: <https://www.ifrs.org/supporting-implementation/supporting-materials-by-ifrs-standard/ifrs-17/#webcasts>)

Use of the risk mitigation option

- **Before:** an entity can apply the risk mitigation option* in the variable fee approach when it mitigates financial risk using derivatives
- **After:** option extended to apply when an entity mitigates financial risk using derivatives, reinsurance contracts held or non-derivative financial instruments at FVPL

		Effect of time value of money and financial risk on fulfilment cash flows	Entity's share of the fair value of underlying items
General model		P&L	N/A
VFA without risk mitigation		CSM**	CSM
Before amendment	VFA with risk mitigation (derivatives)	P&L	Does not adjust CSM
After amendment	VFA with risk mitigation (derivatives or reinsurance contracts held)	P&L	Does not adjust CSM
	VFA with risk mitigation (non-derivative financial instruments at FVPL)	P&L	CSM

* An entity is permitted to apply the risk mitigation option if specified conditions are met.

** Only those fulfilment cash flows that do not vary based on returns on underlying items.



Further information:

- Paragraphs B115–B118 of IFRS 17 (as amended in June 2020)
- Paragraphs BC250–BC256F of the Basis for Conclusions on IFRS 17 (as amended in June 2020)
- Webcast—10 Insurance contracts with participation and other features (available here: <https://www.ifrs.org/supporting-implementation/supporting-materials-by-ifrs-standard/ifrs-17/#webcasts>)

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14

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Appendix

Educational materials published before
IFRS 17 was amended in 2020

Educational materials (1/3)

Webcast series published in 2017–2018

16

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		Summary of the IFRS 17 accounting model in one page



Further information:

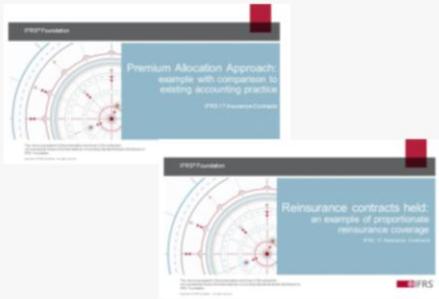
- Educational materials (available here: <https://www.ifrs.org/supporting-implementation/supporting-materials-by-ifrs-standard/ifrs-17>)

Educational materials (2/3)

Other materials published in 2018

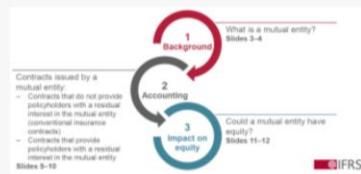
Examples

- 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



Further information:

- Educational materials (available here: <https://www.ifrs.org/supporting-implementation/supporting-materials-by-ifrs-standard/ifrs-17>)

Educational materials (3/3)

Supporting materials for investors



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

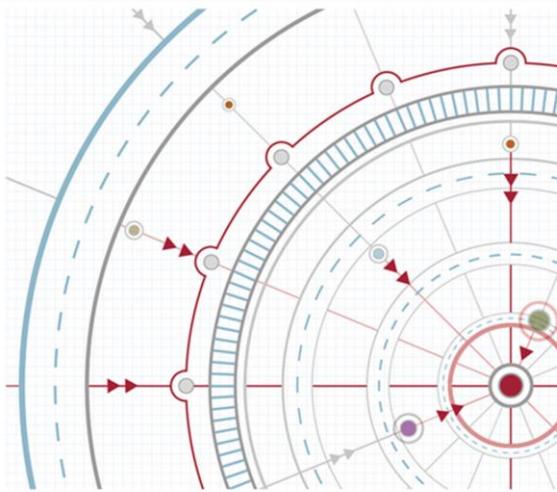


Investor Perspectives: Proposed amendments to IFRS 17—making it easier for insurers to explain their results



Further information:

- Educational materials (available here: <https://www.ifrs.org/supporting-implementation/supporting-materials-by-ifrs-standard/ifrs-17>)



Amendments to IFRS 17

Part 2: transition requirements

IFRS 17 *Insurance Contracts*

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Part 1—amendments to IFRS 17 requirements other than transition (separate webcast)

Part 2—amendments to IFRS 17 transition requirements (this webcast)



Vitalina Kobernik
Technical staff



Laura Kennedy
Technical staff



Further information

- Slides to this webcast (available here: <https://www.ifrs.org/supporting-implementation/supporting-materials-by-ifrs-standard/ifrs-17/#webcasts>)



Webcasts made available after IFRS 17 was issued in 2017

- 1 Introduction
- 2 Scope
- 3 Measurement
- 4 Premium allocation approach
- 5 Reinsurance contracts held
- 6 Recognition and derecognition
- 7 **Transition**
- 8 Level of aggregation
- 9 Recognising the CSM
- 10 Participation and other features



Webcasts made available after IFRS 17 was amended in 2020

- 11 Amendments to IFRS 17
 - Part 1: requirements other than transition
 - Part 2: transition requirements



Further information

- IFRS 17 webcast series (available here: <https://www.ifrs.org/supporting-implementation/supporting-materials-by-ifrs-standard/ifrs-17/#webcasts>)

Amendments to IFRS 17 transition requirements

4

Amendments in this webcast (Part 2)

Related to amendments covered in Part 1:

- Reinsurance contracts held
- Insurance acquisition cash flows
- The effect of previous interim reports

Other:

- Investment contracts with discretionary participation features
- Contracts acquired in their settlement period
- Risk mitigation option:
 - date of application
 - fair value approach

Connected webcasts* (see slide 3)

7

Transition

* This is the webcast the amendments in this webcast are most closely connected to (ie relate to the same topic). It is not an exhaustive list of all connections to other webcasts.



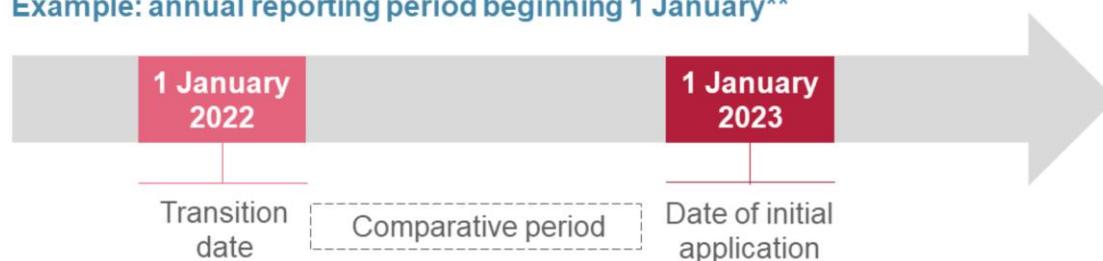
Further information

- Project Summary and Feedback Statement—Amendments to IFRS 17 (available here: <https://cdn.ifrs.org/-/media/project/amendments-to-ifrs-17/project-summary-amends-to-ifrs17.pdf>)
- Webcast—Introducing Amendments to IFRS 17 (available here: <https://www.ifrs.org/projects/2020/amendments-to-ifrs-17/webcast-introducing-amendments-to-ifrs-17/>)
- Webcasts—07 Transition to IFRS 17: overview and 07 Transition to IFRS 17: deep dive (available here: <https://www.ifrs.org/supporting-implementation/supporting-materials-by-ifrs-standard/ifrs-17/#webcasts>)

Reminder: transition date

- **Date of initial application:** beginning of the annual reporting period in which an entity first applies IFRS 17
- **Transition date:** beginning of the annual reporting period immediately preceding the date of initial application*

Example: annual reporting period beginning 1 January**



* If an entity chooses to present more than one year of comparative information, the transition date is the beginning of the earliest adjusted comparative period presented.

** In this example the entity first applies IFRS 17 for the year beginning on 1 January 2023 and presents one year of adjusted comparative information.

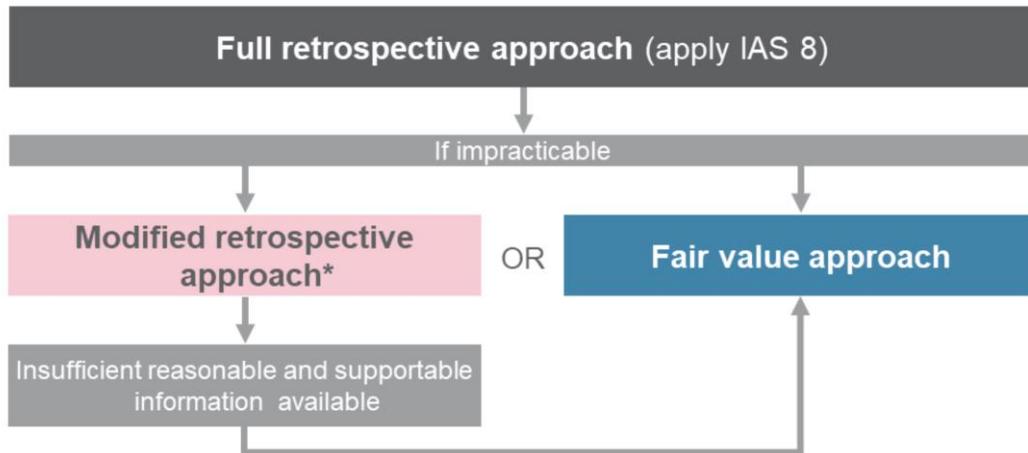


Further information

- Paragraphs C1–C2 and C25–C28 of IFRS 17 (as amended in June 2020)
- Paragraphs BC387–BC389A and BC402–BC406 of the Basis for Conclusions on IFRS 17 (as amended in June 2020)
- Webcasts—07 Transition to IFRS 17: overview and 07 Transition to IFRS 17: deep dive (available here: <https://www.ifrs.org/supporting-implementation/supporting-materials-by-ifrs-standard/ifrs-17/#webcasts>)

Reminder: transition approaches

6



* An entity can apply each modification in the modified retrospective approach only to the extent the entity does not have reasonable and supportable information to apply a retrospective approach. In this webcast 'modifications' are referred to as 'reliefs'.



Further information

- Paragraphs C3–C24B of IFRS 17 (as amended in June 2020)
- Paragraphs BC372–BC386 of the Basis for Conclusions on IFRS 17 (as amended in June 2020)
- Webcasts—07 Transition to IFRS 17: overview and 07 Transition to IFRS 17: deep dive (available here: <https://www.ifrs.org/supporting-implementation/supporting-materials-by-ifrs-standard/ifrs-17/#webcasts>)

Reinsurance contracts held

7

- **Full retrospective approach:** determine loss recoveries that would have been recognised at initial recognition of the onerous insurance contracts and roll-forward to determine loss-recovery component to transition date
- **Modified retrospective approach and fair value approach:** relief added for determining loss-recovery component at transition date

Relief:

$$\begin{array}{c} \text{Loss-recovery} \\ \text{component of} \\ \text{reinsurance contract held} \\ \text{at transition date} \end{array} = \begin{array}{c} \text{Loss component of} \\ \text{onerous underlying} \\ \text{insurance contracts} \\ \text{at transition date} \end{array} \times \begin{array}{c} \% \text{ of claims entity} \\ \text{expects to recover from} \\ \text{reinsurance contract held} \\ \text{(expectation at transition} \\ \text{date)} \end{array}$$



Further information:

- Paragraphs C16A–C16C and C20A–C16B of IFRS 17 (as amended in June 2020)
- Webcast—11 Amendments to IFRS 17 (Part 1) (available here: <https://www.ifrs.org/supporting-implementation/supporting-materials-by-ifrs-standard/ifrs-17/#webcasts>)

Insurance acquisition cash flows

- **Full retrospective approach:** determine asset that would have been recognised for insurance acquisition cash flows paid* before the transition date and roll-forward to transition date
- **Modified retrospective approach and fair value approach:** reliefs added for determining asset at transition date

Relief in modified retrospective approach:

Asset at transition date**	Insurance acquisition cash flows paid* before transition date** minus Amount allocated to groups of contracts recognised at transition date***
----------------------------	-------------------------------------------------------------------------------------------------------------------------------------------------------------

Relief in fair value approach:

Asset at transition date	Amount the entity would incur at transition date for specified rights to obtain recoveries of insurance acquisition cash flows and future insurance contracts
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* Or for which a liability has been recognised applying another IFRS Standard.

** Excluding amounts relating to contracts that ceased to exist before transition date.

*** If the entity does not have reasonable and supportable information to apply this modification, the asset and the amount allocated to groups of contracts recognised at the transition date are determined as nil.



Further information:

- Paragraphs C4(aa), C5B, C14B–C14D, C17A and C24A–C24B of IFRS 17 (as amended in June 2020)
- Webcast—11 Amendments to IFRS 17 (Part 1) (available here: <https://www.ifrs.org/supporting-implementation/supporting-materials-by-ifrs-standard/ifrs-17/#webcasts>)

The effect of previous interim reports

- **Full retrospective approach:** determine amounts at transition date retrospectively applying same accounting policy choice that the entity will use going forward for treatment of accounting estimates made in previous interim reports
- **Modified retrospective approach:** relief added for entities that choose not to change treatment of accounting estimates made in previous interim reports*

Relief:

Example with 1 January 2022 transition date, entity:

- prepares quarterly interim reports and annual report
- makes *accounting policy choice* not to change treatment of accounting estimates made in previous interim reports
- does not have reasonable and supportable information to apply that choice retrospectively on transition

2020		2021		2022			
Year		Year		Q1	Q2	Q3	Q4

Determine amounts at transition date as if entity had not prepared interim reports before that date

Apply *accounting policy choice*

* No relief added in fair value approach because the effect of previous interim reports is not applicable in that approach.



Further information:

- Paragraphs C14A and C19A of IFRS 17 (as amended in June 2020)
- Webcast—11 Amendments to IFRS 17 (Part 1) (available here: <https://www.ifrs.org/supporting-implementation/supporting-materials-by-ifrs-standard/ifrs-17/#webcasts>)

Investment contracts with discretionary participation features

- **Full retrospective approach:** make specified assessments required by IFRS 17 using information that would have been available at initial recognition of the contracts
- **Modified retrospective approach and fair value approach:** relief for making specified assessments using transition date information extended to include assessment of whether a contract meets the definition of an investment contract with discretionary participation features

Relief applies for:



Further information:

- Paragraph C9 of IFRS 17 (as amended in June 2020)
- Paragraph BC382 of the Basis for Conclusions on IFRS 17 (as amended in June 2020)

Contracts acquired in their settlement period

- **Full retrospective approach:** classify a liability for insurance contracts acquired* in their settlement period before the transition date as a liability for remaining coverage
- **Modified retrospective approach and fair value approach:** relief added to classify such a liability as a liability for incurred claims

Relief:

Contracts acquired in their settlement period:	Acquired before transition date**	Acquired after transition date
Without relief	Liability for remaining coverage	Liability for remaining coverage
With relief	Liability for incurred claims	

* Acquired in a transfer or insurance contracts that do not form a business or in a business combination within the scope of IFRS 3 *Business Combinations*.
 ** The relief for contracts acquired before the transition date applies to contracts that meet the definition of an insurance contract at the inception of the contract.



Further information:

- Paragraphs C9A and C22A of IFRS 17 (as amended in June 2020)
- Paragraphs BC382A–BC382B of the Basis for Conclusions on IFRS 17 (as amended in June 2020)

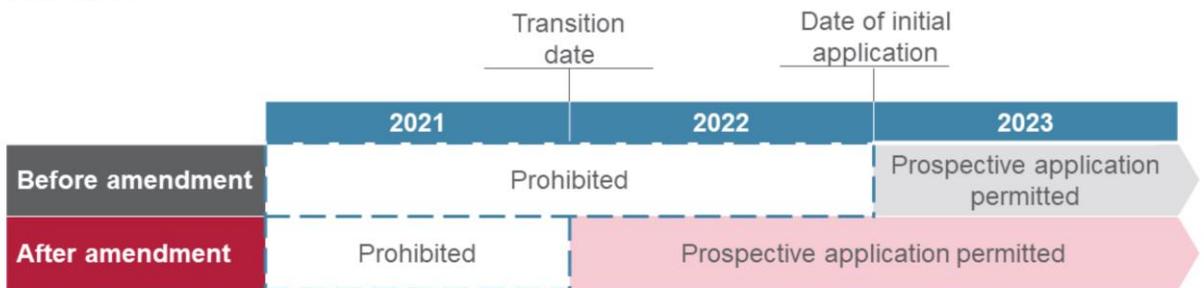
Risk mitigation option

Date of application

12

- **Before:** an entity is permitted to apply the risk mitigation option* in the variable fee approach *prospectively* from the date of initial application (retrospective application prohibited)
- **After:** an entity is permitted to apply the option prospectively from an earlier date (transition date instead of date of initial application)

Example:



* An entity is permitted to apply the risk mitigation option if specified conditions are met.



Further information:

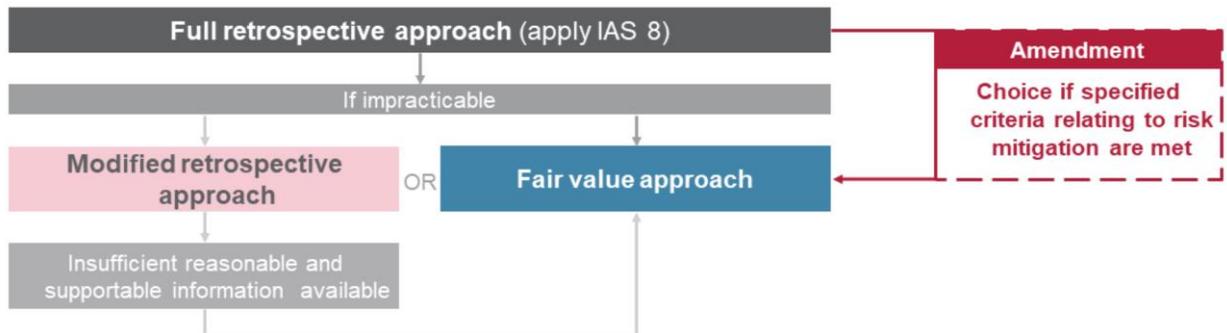
- Paragraph C3 of IFRS 17 (as amended in June 2020)
- Paragraphs BC393A–BC393E of the Basis for Conclusions on IFRS 17 (as amended in June 2020)
- Webcast—10 Insurance contracts with participation and other features (available here: <https://www.ifrs.org/supporting-implementation/supporting-materials-by-ifrs-standard/ifrs-17/#webcasts>)

Risk mitigation option

Fair value approach

13

- **Before:** an entity is required to apply a fully retrospective approach unless impracticable (but is prohibited from applying risk mitigation option retrospectively)
- **After:** exception added permitting an entity to apply fair value approach when specified criteria relating to risk mitigation are met (even when full retrospective application is not impracticable)



Further information:

- Paragraphs C5–C5A of IFRS 17 (as amended in June 2020)
- Paragraphs BC393A–BC393E of the Basis for Conclusions on IFRS 17 (as amended in June 2020)
- Webcast—10 Insurance contracts with participation and other features (available here: <https://www.ifrs.org/supporting-implementation/supporting-materials-by-ifrs-standard/ifrs-17/#webcasts>)

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