STAFF PAPER

April 2019

IASB® meeting

Project	Amendments to IFRS 17 *Insurance Contracts*		
Paper topic	Overview of the amendments to IFRS 17		
CONTACT(S)	Roberta Ravelli	rravelli@ifrs.org	+44 (0)20 7246 6935
	Andrea Pryde	apryde@ifrs.org	+44 (0)20 7246 6491

Purpose of this paper

1. This paper:

   (a) considers as a whole the amendments to IFRS 17 *Insurance Contracts* that the International Accounting Standards Board (Board) has tentatively decided to propose (paragraph 3 of this paper);

   (b) evaluates the proposed amendments against the criteria the Board set in October 2018[1] (paragraphs 4–5 of this paper); and

   (c) considers the likely effects of the proposed amendments to IFRS 17 (paragraphs 6–8 of this paper).

2. This paper is provided to assist the Board in assessing its response to Agenda Paper 2B *Due process steps and permission for balloting*, which asks the Board for permission to start the balloting process for an Exposure Draft of proposed amendments to IFRS 17.

[1] Refer to Agenda Paper 2C *Criteria for evaluating possible amendments to IFRS 17* for the October 2018 Board meeting.

Overview of proposed amendments to IFRS 17

3. The following table summarises the Board's tentative decisions about possible amendments to IFRS 17.

Topic	Amendment tentatively decided by the Board
1—Additional optional scope exclusion for loan contracts that transfer significant insurance risk and related transition requirements (February 2019, March 2019)	Amendment of the scope of IFRS 17 and IFRS 9 *Financial Instruments* for insurance contracts that provide insurance coverage only for the settlement of the policyholder's obligation created by the contract to enable entities issuing such contracts to account for those contracts applying either IFRS 17 or IFRS 9. Amendment of the transition requirements in IFRS 9 for such contracts, if an entity: (a) elects to apply the requirements in IFRS 9 to a portfolio of such contracts; and (b) has applied IFRS 9 before it initially applies IFRS 17.
2—Additional scope exclusion for credit card contracts that provide insurance coverage (March 2019)	Amendment of the scope of IFRS 17 to exclude from the scope of the Standard credit card contracts that provide insurance coverage for which the entity does not reflect an assessment of the insurance risk associated with an individual customer in setting the price of the contract with that customer.

<table>
<tr><th>Topic</th><th>Amendment tentatively decided by the Board</th></tr>
<tr><td>3—Insurance acquisition cash flows relating to expected contract renewals and related disclosure requirements

(January 2019, March 2019)</td><td>Amendment to require an entity to:
(a) allocate insurance acquisition cash flows to related contract renewals;
(b) recognise those cash flows as an asset until the entity recognises contract renewals; and
(c) assess the recoverability of the asset each reporting period until the entity recognises the renewed contracts.

Amendment of the disclosure requirements to require an entity to provide:
(a) a reconciliation of the asset at the beginning and the end of the reporting period and its changes, specifically recognition of any impairment loss or reversals; and
(b) quantitative disclosure, in appropriate time bands, of the expected timing of the inclusion of these acquisition cash flows in the measurement of the related group of insurance contracts.</td></tr>
<tr><td>4—Contractual service margin allocation relating to investment components and related disclosure requirements

(June 2018, January 2019, March 2019)</td><td>Amendment to:
(a) clarify that the definition of the coverage period for insurance contracts with direct participation features includes periods in which an entity provides investment-related services; and
(b) require an entity to allocate the contractual service margin for insurance contracts without direct participation features based on coverage units determined considering both insurance coverage and any investment-return service.

Amendment of the disclosure requirements to require an entity to provide:
(a) quantitative disclosure, in appropriate time bands, of the expected recognition in profit or loss of the contractual service margin remaining at the end of the reporting period; and
(b) specific disclosure of the approach to assessing the relative weighting of the benefits provided by insurance coverage and investment-related services or investment-return services.</td></tr>
</table>

Topic	Amendment tentatively decided by the Board
5—Extension of the risk mitigation option (January 2019)	Amendment to permit an entity to apply the risk mitigation option for insurance contracts with direct participation features when the entity uses reinsurance contracts held to mitigate financial risks.
6—Reinsurance contracts held when underlying contracts are onerous (January 2019)	Amendment to require an entity that recognises losses on onerous insurance contracts at initial recognition to also recognise a gain on reinsurance contracts held, to the extent that the reinsurance contracts held: (a) cover the losses of the underlying contracts on a proportionate basis; and (b) are entered into before or at the same time that the onerous underlying contracts are issued.
7—Simplified presentation of insurance contracts in the statement of financial position (December 2018)	Amendment to require an entity to present insurance contract assets and liabilities in the statement of financial position determined using portfolios of insurance contracts rather than groups of insurance contracts.
8—Deferral of the date of initial application of IFRS 17 by one year (November 2018)	Amendment of the mandatory effective date of IFRS 17, so that entities would be required to apply IFRS 17 for annual periods beginning on or after 1 January 2022.
9—Deferral of the expiry date for the temporary exemption from applying IFRS 9 by one year (November 2018)	Amendment of the fixed expiry date for the temporary exemption in IFRS 4 *Insurance Contracts* from applying IFRS 9, so that all entities would be required to apply IFRS 9 for annual periods beginning on or after 1 January 2022.

Topic	Amendment tentatively decided by the Board
10—Additional transition relief for business combinations (February 2019)	Amendment of the transition requirements to add a specified modification to the modified retrospective approach and a relief to the fair value transition approach for the classification of a liability that relates to the settlement of claims incurred before an insurance contract was acquired.
11—Additional transition relief for the date of application of the risk mitigation option (March 2019)	Amendment of the transition requirements in IFRS 17 to permit an entity to apply the risk mitigation option prospectively from the IFRS 17 transition date, provided that the entity designates its risk mitigation relationships to apply the risk mitigation option no later than the IFRS 17 transition date.
12—Additional transition relief for the application of the risk mitigation option and the use of the fair value transition approach (March 2019)	Amendment of the transition requirements in IFRS 17 to permit an entity to use the fair value transition approach for a group of insurance contracts with direct participating features if, and only if, the entity: (a) can apply IFRS 17 retrospectively to the group; (b) chooses to apply the risk mitigation option to the group prospectively from the transition date; and (c) has used derivatives or reinsurance contracts held to mitigate financial risk arising from the group before the transition date.
13—Annual improvements (June 2018, April 2019)	Minor amendments introduced to either clarify the wording in the Standard or to correct relatively minor unintended consequences, oversights or conflicts between existing requirements of Standards.

Evaluating proposed amendments against criteria for change

4. In October 2018, the Board tentatively decided that any amendments to IFRS 17 would need to meet the criteria that they would not:

   (a) result in significant loss of useful information relative to that which would otherwise be provided by IFRS 17 for users of financial statements—ie any amendments would avoid:

      (i) reducing the relevance and faithful representation of information in the financial statements of entities applying IFRS 17;

      (ii) causing reduced comparability or introducing internal inconsistency in IFRS Standards, including within IFRS 17; or

      (iii) increasing complexity for users of financial statements, thus reducing understandability.

   (b) unduly disrupt implementation processes already under way or risk undue delays in the effective date of IFRS 17, which is needed to address many inadequacies in the existing wide range of insurance accounting practices.

5. The following table evaluates each of the proposed amendments against those criteria. Those criteria do not apply to the annual improvements.

Topic	(a) Avoid significant loss of useful information for users of financial statements	(b) Not unduly disrupt implementation processes already under way or not risk undue delays in the effective date of IFRS 17
1—Additional optional scope exclusion for loan contracts that transfer significant insurance risk and related transition requirements (February 2019, March 2019)	The amendment is not expected to result in a significant loss of useful information for users of financial statements because an entity would be permitted to measure those contracts applying IFRS 9 (for example, at fair value through profit or loss) or IFRS 17. This is expected to provide useful information to users of financial statements in both cases, without unduly reducing comparability.	The amendment is not expected to unduly disrupt implementation processes already under way or risk undue delays in the effective date of IFRS 17 because it is optional, and many loan contracts that transfer significant insurance risk are issued by non-insurance entities that may be at a less advanced stage of IFRS 17 implementation or may not otherwise be applying IFRS 17.
2—Additional scope exclusion for credit card contracts that provide insurance coverage (March 2019)	The amendment is not expected to result in a significant loss of useful information for users of financial statements because entities would apply other relevant IFRS Standards to such credit card contracts. Those Standards would provide relevant information about the components of those contracts to users of financial statements.	The amendment is not expected to unduly disrupt implementation processes already under way or risk undue delays in the effective date of IFRS 17 because entities that issue such credit card contracts typically do not issue other contracts within the scope of IFRS 17 and may not otherwise be applying IFRS 17.

Topic	**(a) Avoid significant loss of useful information for users of financial statements**	**(b) Not unduly disrupt implementation processes already under way or not risk undue delays in the effective date of IFRS 17**
3—Insurance acquisition cash flows relating to expected contract renewals and related disclosure requirements (January 2019, March 2019)	The amendment is expected to reduce the number of insurance contracts that are determined to be onerous at initial recognition. However, some believe that the amendment could provide additional useful information for users of financial statements about expected contract renewals. The additional disclosure requirements are intended to ensure that the amendment does not result in a significant loss of useful information for users of financial statements.	The amendment is not expected to unduly disrupt implementation processes already under way or risk undue delays in the effective date of IFRS 17 because it is based on the existing requirements of IFRS 17.

Topic	(a) Avoid significant loss of useful information for users of financial statements	(b) Not unduly disrupt implementation processes already under way or not risk undue delays in the effective date of IFRS 17
4—Contractual service margin allocation relating to investment components and related disclosure requirements (June 2018, January 2019, March 2019)	Including investment-related services (for variable fee contracts) or investment-return services (for general model contracts) as well as insurance coverage in determining the amount of the contractual service margin to recognise in profit or loss makes the determination more subjective and complex. However, the amendment is expected to provide relevant information about the services the entity regards itself as providing to the policyholder. The accompanying amendment to the disclosure requirements is intended to enhance the usefulness of information for users of financial statements.	The amendment might disrupt implementation processes already under way. However, on balance, the potential disruption is expected to be justified given the stakeholder feedback about the usefulness of information given by the existing requirements in IFRS 17.
5—Extension of the risk mitigation option (January 2019)	Although the amendment to extend the risk mitigation option to cover the use of reinsurance would change the accounting for the underlying insurance contracts, the amendment is an expansion of the option that already exists in IFRS 17. Some suggest that the amendment would permit an entity to better reflect its risk management activities.	The expanded option is not expected to unduly disrupt implementation processes already under way or risk undue delays in the effective date of IFRS 17 because it is optional, and would only apply when reinsurance contracts held meet the existing conditions for the risk mitigation option in IFRS 17.

Topic	**(a) Avoid significant loss of useful information for users of financial statements**	**(b) Not unduly disrupt implementation processes already under way or not risk undue delays in the effective date of IFRS 17**
6—Reinsurance contracts held when underlying contracts are onerous (January 2019)	Although the amendment would change the accounting for reinsurance contracts held, the amendment is not expected to result in a significant loss of useful information for users of financial statements because IFRS 17 already provides an exception to the general requirements for reinsurance contracts held to avoid some accounting mismatches.	The amendment might disrupt implementation for entities that have already begun to develop their systems. However, the disruption is expected to be justified given stakeholder feedback about the likely significant impact of the accounting mismatch which some stakeholders suggest reduces the usefulness of the information provided by IFRS 17.
7—Simplified presentation of insurance contracts in the statement of financial position (December 2018)	Although offsetting groups in the statement of financial position would result in a loss of useful information for users of financial statements, the presentation of insurance contracts at portfolio level is still expected to provide useful information to users of financial statements because it is expected to be representative of how the entities manage their portfolios.	The amendment is expected to provide significant cost relief for entities applying IFRS 17. It is not expected to unduly disrupt implementation processes already under way or risk undue delays in the effective date of IFRS 17 because the amendment does not affect the measurement of insurance contracts.

Topic	(a) Avoid significant loss of useful information for users of financial statements	(b) Not unduly disrupt implementation processes already under way or not risk undue delays in the effective date of IFRS 17
8—Deferral of the date of initial application of IFRS 17 by one year (November 2018)	The amendment will not result in loss of useful information for users of financial statements when IFRS 17 is applied. However, the significant improvements to the accounting requirements for insurance contracts introduced by IFRS 17 will be delayed by one year.	Although limiting a deferral to one year is expected to minimise disruption, the amendment may disrupt implementation processes for entities that are furthest advanced in the implementation of IFRS 17. However, in the light of the amendments proposed, the proposed deferral of the date of initial application of IFRS 17 is expected to assist many entities in implementing IFRS 17.
9—Deferral of the expiry date for the temporary exemption from applying IFRS 9 by one year (November 2018)	The significant improvements to the accounting requirements for financial instruments introduced by IFRS 9 will be delayed by one year.	The amendment is not expected to unduly disrupt implementation processes already under way because many insurance entities are expected to apply IFRS 17 and IFRS 9 at the same time.

Topic	(a) Avoid significant loss of useful information for users of financial statements	(b) Not unduly disrupt implementation processes already under way or not risk undue delays in the effective date of IFRS 17
10—Additional transition relief for business combinations (February 2019)	The amendment treats liabilities acquired inconsistently with the principles of business combination accounting by not reflecting the terms and conditions that exist at the acquisition date. Although this transition relief impairs comparability between contracts acquired in business combinations that occur before and after the date of transition, the loss of comparability could be regarded as acceptable when balanced against the significant relief for entities.	The amendment is not expected to unduly disrupt implementation processes already under way. The amendment is expected to provide additional transition relief and support implementation processes already underway.
11—Additional transition relief for the date of application of the risk mitigation option (March 2019)	A prospective application of the risk mitigation option from the transition date is expected to reduce accounting mismatches in the comparative periods presented and to achieve comparability over time. This is regarded as improving the usefulness of information for users of financial statements.	The amendment is not expected to unduly disrupt implementation processes already under way. This is because the risk mitigation option can be applied whenever the criteria are met and if an entity prefers the entity can still start to apply the risk mitigation option prospectively from the date of initial application rather than from the transition date.

Topic	(a) Avoid significant loss of useful information for users of financial statements	(b) Not unduly disrupt implementation processes already under way or not risk undue delays in the effective date of IFRS 17
12—Additional transition relief for the application of the risk mitigation option and the use of the fair value transition approach (March 2019)	While the fair value approach for transition provides useful information to users of financial statements by reducing accounting mismatches, introducing additional optionality may decrease comparability between entities on transition.	The amendment is not expected to unduly disrupt implementation processes already under way. This is because the amendment introduces an option, rather than a requirement, for entities to apply the fair value transition approach to a group of insurance contracts with direct participating features.

Effects of the proposed amendments

6. In developing the proposed amendments, the Board considered papers that allowed it to assess the likely effects of the amendments. The staff observe that the proposed amendments to IFRS 17 are, by design, narrow in scope and intended to ease implementation for entities issuing insurance contracts. Furthermore, as shown in the table in paragraph 5 of this paper, the staff believe that each amendment also meet the criteria described in paragraph 5 of this paper.

7. Paragraph 3.75 of the Due Process Handbook provides examples of the issues the Board considers in forming its judgement on the evaluation of the likely effects of proposed requirements, as follows:

   (a) how the proposed changes are likely to affect how activities are reported in the financial statements of those applying IFRS Standards;

   (b) how those changes improve the comparability of financial information between different reporting periods for an individual entity and between different entities in a particular reporting period

   (c) how the changes will improve users' ability to assess the future cash flows of an entity;

   (d) how the improvements to financial reporting will result in better economic decision-making;

   (e) the likely effect on compliance costs for preparers, both on initial application and on an ongoing basis; and

   (f) how the likely costs of analysis for users are affected, taking into account the costs incurred by users of financial statements when information is not available and the comparative advantage that preparers have in developing information, when compared with the costs that users would incur to develop surrogate information.

8. The following table considers the likely effects of the proposed amendments compared to the requirements in IFRS 17 as issued in May 2017.

Topic	Financial statements effects	Cost-benefit analysis
1—Additional optional scope exclusion for loan contracts that transfer significant insurance risk and related transition requirements (February 2019, March 2019)	No change for the entities that would elect to apply IFRS 17 to such contracts. Entities that would elect to apply IFRS 9 to such contracts are expected to account for those contracts in the same way as other financial instruments, for example by measuring them at fair value through profit or loss.	The amendment is expected to enable an entity to apply either: (a) IFRS 17 to such contracts, permitting comparability with the other insurance contracts issued by the same entity; or (b) IFRS 9 to such contracts, permitting comparability with the financial instruments issued by the same entity. The amendment is expected to reduce IFRS 17 implementation costs for entities that that do not typically issue other contracts within the scope of IFRS 17. Those entities would not need to implement IFRS 17 because they could apply IFRS 9 to such contracts. Measuring those contracts applying IFRS 9 or IFRS 17 is expected to provide useful information to users of financial statements in both cases, without reducing comparability or unduly increasing the costs of analysis for users of financial statements.

Topic	**Financial statements effects**	**Cost-benefit analysis**
2—Additional scope exclusion for credit card contracts that provide insurance coverage (March 2019)	Entities issuing credit card contracts that provide insurance coverage that would be excluded from the scope of IFRS 17 are expected to apply other relevant IFRS Standards to such contracts. In particular, if entities issue credit card contracts that provide insurance coverage required by regulation, no significant change in accounting is expected. Those entities are expected to continue to account for loan or loan commitments in credit card contracts applying IFRS 9 and any insurance obligation in those contracts applying IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* in a way similar to the way they apply IFRS 4 today.	Accounting for such contracts in the same way as credit card contracts that do not provide insurance coverage is expected to provide comparable information for the users of financial statements for the entities that issue credit card contracts.

Topic	Financial statements effects	Cost-benefit analysis
3—Insurance acquisition cash flows relating to expected contract renewals and related disclosure requirements (January 2019, March 2019)	The continuing recognition of insurance acquisition cash flows allocated to expected contract renewals as an asset, rather than as part of the measurement of the fulfilment cash flows of the initial contracts, is expected to reduce the number of insurance contracts that are determined to be onerous at initial recognition. It is also expected to increase the size and duration of the asset recognised for those cash flows.	Users of financial statements are expected to benefit from obtaining additional information about expected contract renewals and related disclosure—ie the reconciliation of the asset at the beginning and the end of the reporting period showing changes for any impairment loss or reversals and the quantitative disclosure of the expected timing of the inclusion of these acquisition cash flows in the measurement of the related group of insurance contracts. The requirement to assess the recoverability of the asset, based on the fulfilment cash flows of the related contracts, on a group of insurance contracts basis, is expected to increase ongoing costs of IFRS 17 for entities that would need to perform such assessment each reporting period before the related contracts are recognised.

Topic	Financial statements effects	Cost-benefit analysis
4—Contractual service margin allocation relating to investment components and related disclosure requirements (June 2018, January 2019, March 2019)	The pattern of recognition of contractual service margin for different insurance contracts and between different entities can vary significantly. For example, applying IFRS 17 to contracts that provide insurance coverage that ends significantly before the investment-related services is expected to result in a front-end revenue and profit recognition. The amendment is expected to change the pattern of recognition of revenue and profit to align it with the provision of different services.	The amendment might disrupt implementation processes already under way and therefore increase implementation costs, particularly for entities that are at an advanced stage of IFRS 17 implementation. However, the amendment is expected to provide relevant information about the services the entity regards itself as providing to the policyholder. The disclosures required about the contractual service margin are expected to mitigate the costs of analysis for users of financial statements that might be created by any increase in subjectivity and reduction in comparability between entities. Requiring an entity to provide quantitative information about the expected recognition of the contractual service margin in profit or loss in the future periods is not expected to be burdensome for entities. This is because in deciding the amount of the services provided in the period, an entity needs to consider what coverage units are expected to be provided in the future and therefore already has the information that the entity would be required to disclose. On balance, the potential disruption is expected to be justified given the stakeholder feedback about the increased usefulness of information.

Topic	Financial statements effects	Cost-benefit analysis
5—Extension of the risk mitigation option (January 2019)	Entities that use reinsurance contracts to mitigate financial risks are expected to use the risk mitigation option to recognise changes in underlying insurance contracts in profit or loss, rather than as adjustments to the contractual service margin, to offset the changes in the reinsurance contracts held.	The extension of the risk mitigation option is expected to reduce accounting mismatches and therefore the complexity for users of financial statements in understanding the accounting. The extension of the option is not expected to unduly increase implementation costs for entities because it is optional.

Topic	Financial statements effects	Cost-benefit analysis
6—Reinsurance contracts held when underlying contracts are onerous (January 2019)	The accounting for the underlying insurance contracts issued is unaffected. The accounting for the reinsurance contracts held would change. An entity would recognise the recovery of a loss (ie the expected reinsurance claims) immediately and the cost of recovering that loss (ie the reinsurance premiums) as reinsurance services are received.	The amendment is expected to reduce the complexity: (a) in applying the requirements in IFRS 17. This is because it is expected to introduce consistency between the accounting treatment relating to the initial recognition of underlying onerous contracts and subsequent adverse changes in underlying onerous contracts. (b) for users of financial statements in understanding the accounting, by reducing accounting mismatches. The amendment might disrupt implementation processes for entities that have already started their implementation processes and might therefore increase implementation costs for those entities. The amendment is not expected to unduly increase ongoing costs of IFRS 17 for entities or costs of analysis for users of financial statements because it expands an existing exception in IFRS 17 to the general requirements for reinsurance contracts held.

Topic	Financial statements effects	Cost-benefit analysis
7—Simplified presentation of insurance contracts in the statement of financial position (December 2018)	Requiring entities to present insurance contracts at portfolio level rather than at group level is expected to reduce the size of insurance contracts assets presented in the statement of financial position. This is because it is expected that many groups of insurance contracts will switch between asset and liability positions, whereas most portfolios of insurance contracts are expected to consistently be in a liability position.	Although offsetting groups in the statement of financial position would result in a loss of useful information for users of financial statements, the loss of information could be regarded as acceptable when balanced against the significant cost relief for entities. Requiring entities to present insurance contracts at a higher level of aggregation than the group level is expected to significantly reduce IFRS 17 implementation costs and simplify implementation for many entities. This is because an entity would not need to identify cash flows to each individual group of contracts. Investor outreach indicates that the loss of useful information caused by this amendment would be acceptable. Impact on the costs of analysis for users is not expected to be significant.
8—Deferral of the date of initial application of IFRS 17 by one year (November 2018)	Not applicable.	The amendment would allow more time to entities and users of financial statements to prepare for IFRS 17 implementation. Although limiting a deferral to one year is expected to minimise disruption, the amendment is expected to increase implementation costs for entities that are furthest advanced in the implementation of IFRS 17. The amendment is expected to further delay the benefits introduced by IFRS 17.

Topic	**Financial statements effects**	**Cost-benefit analysis**
9—Deferral of the expiry date for the temporary exemption from applying IFRS 9 by one year (November 2018)	Not applicable.	In the light of the one-year deferral of the mandatory effective date of IFRS 17, the amendment is expected to reduce accounting mismatches for entities that are expected to apply IFRS 17 and IFRS 9 at the same date. The amendment is expected to further delay the benefits introduced by IFRS 9 for some entities, particularly relating to the information about expected credit losses. Those entities will first apply IFRS 9 up to eight years after the Standard was issued and up to four years after other entities first applied IFRS 9, resulting in costs of analysis for users of financial statements. To mitigate those costs, entities that continue to apply IAS 39 *Financial Instruments: Recognition and Measurement* would provide the additional disclosures required by IFRS 4 to enable users of financial statements to make comparisons with entities applying IFRS 9 for one additional year.

Topic	Financial statements effects	Cost-benefit analysis
10—Additional transition relief for business combinations (February 2019)	The amendment is expected to reduce revenue and expenses recognised by entities. This is because an entity would account for liabilities for claims settlement acquired in a business combination as a liability for incurred claims, rather than as a liability for remaining coverage. Liabilities for incurred claims do not give rise to revenue and expenses for the expected claims.	The amendment treats liabilities acquired inconsistently with the principles of business combination accounting by not reflecting the terms and conditions that exist at the acquisition date. This adds complexity for users of financial statements. Permitting an entity to account for liabilities for claims settlement acquired in a business combination as a liability for incurred claims is expected to reduce IFRS 17 implementation costs for entities that have acquired contracts before the transition date. This is because this amendment: (a) may allow more entities to use the modified retrospective approach, instead of the fair value approach; and (b) provides additional relief within the fair value approach. Although this transition relief impairs comparability between contracts acquired in business combinations that occur before and after the date of transition, the loss of comparability could be regarded as acceptable when balanced against the significant relief for entities.

Topic	**Financial statements effects**	**Cost-benefit analysis**
11—Additional transition relief for the date of application of the risk mitigation option (March 2019)	Entities that opt to use the risk mitigation option from the date of transition to IFRS 17—ie the beginning of the annual reporting period immediately before the date of initial application—will reflect the effects of risk mitigation on comparative information when first applying IFRS 17.	A prospective application of the risk mitigation option from the transition date is expected to reduce accounting mismatches in the comparative periods presented and to achieve comparability over time. The application of the risk mitigation option is optional. Therefore, the amendment is not expected to unduly increase implementation costs for entities. The disclosures required at transition are expected to mitigate the costs of analysis for users of financial statements introduced by the additional optionality.
12—Additional transition relief for the application of the risk mitigation option and the use of the fair value transition approach (March 2019)	At the transition date, the equity of an entity is expected to reflect previous changes in the fulfilment cash flows due to changes in financial assumptions and changes in the fair value of the derivatives, if the entity has used derivatives or reinsurance to mitigate financial risk before the date of transition, can apply IFRS 17 retrospectively and chooses to use the fair value approach to transition.	The information provided applying the fair value transition approach is expected to be useful to the users of financial statements by reducing accounting mismatches. The amendment introduces an option, rather than a requirement, for entities to apply the fair value transition approach to a group of insurance contracts with direct participating features. Therefore, the amendment is not expected to unduly increase implementation costs for entities. The disclosures required at transition are expected to mitigate the costs of analysis for users of financial statements introduced by the additional optionality.

Topic	Financial statements effects	Cost-benefit analysis
13—Annual improvements (June 2018, April 2019)	Annual improvements are minor amendments which have been introduced to either clarify the wording in the Standard or to correct relatively minor unintended consequences, oversights or conflicts between existing requirements of Standards. The likely effects of those amendments are not expected to be significant.	