

STAFF PAPER

November 2019

IASB® meeting

Project	Amendments to IFRS 17		
Paper topic	Redeliberation plan		
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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. This paper sets out staff recommendations for the redeliberations of the Exposure Draft *Amendments to IFRS 17* and asks whether the International Accounting Standards Board (Board) agrees with those recommendations.
2. The recommendations have been developed considering:
 - (a) the feedback from outreach as summarised in Agenda Paper 2A *Outreach summary* of the October 2019 Board meeting; and
 - (b) the feedback from comment letters as summarised in Agenda Paper 2B *Comment letter summary—feedback on the questions in the Exposure Draft* and Agenda Paper 2C *Comment letter summary—other comments* of this meeting.
3. Appendix A to this paper reproduces the staff thoughts from Agenda Papers 2B and 2C and summarises the staff recommendations for the redeliberations.

Topics for the redeliberations

4. The staff think that a timely decision about the topics that the Board should consider further would reduce uncertainty about any possible additional amendments to IFRS 17 *Insurance Contracts* and, therefore, would limit disruption to implementation processes under way.
5. Consequently, in this paper the staff have set out:
 - (a) the proposed amendments the staff recommend the Board confirm at a future meeting (paragraph 7 of this paper);
 - (b) the topics for which the staff recommend the Board consider further the feedback from respondents (paragraph 9 of this paper); and
 - (c) the topics the staff recommend the Board does not consider further (paragraph 10 of this paper).
6. Appendix A to this paper reproduces the staff thoughts from Agenda Papers 2B and 2C and summarises the staff recommendations for the redeliberation of topics. Paragraphs 7–10 of this paper discuss those recommendations.
7. The staff recommend the Board confirm at a future meeting the proposed amendments on the following topics:
 - (a) scope exclusion for loans;
 - (b) contractual service margin attributable to investment services—coverage units for insurance contracts with direct participation features;
 - (c) presentation in the statement of financial position—portfolio instead of group level;
 - (d) applicability of the risk mitigation option—reinsurance contracts held;
 - (e) transition relief for business combinations; and
 - (f) transition reliefs for the risk mitigation option—application from the transition date and the option to apply the fair value approach.
8. For these proposed amendments, the staff plan to present to the Board a paper that summarises the proposals in the Exposure Draft and asks the Board to confirm the

proposals. The staff do not expect that any substantive redeliberation would be needed to confirm these proposed amendments.

9. The staff recommend the Board consider further the feedback from respondents on the following topics:
 - (a) proposed scope exclusion for credit cards;
 - (b) proposed amendment for expected recovery of insurance acquisition cash flows;
 - (c) proposed amendment for contractual service margin attributable to investment services—coverage units for insurance contracts without direct participation features, disclosures and terminology;
 - (d) proposed amendment for reinsurance contracts held—recovery of losses;
 - (e) applicability of the risk mitigation option—non-derivative financial instruments at fair value through profit or loss;
 - (f) proposed effective date of IFRS 17;
 - (g) proposed extension of the IFRS 9 *Financial Instruments* temporary exemption in IFRS 4 *Insurance Contracts*;
 - (h) transition—the prohibition from applying the risk mitigation option retrospectively;
 - (i) proposed minor amendments;
 - (j) level of aggregation—annual cohorts for insurance contracts with intergenerational sharing of risks between policyholders;
 - (k) business combinations—contracts acquired in their settlement period;
 - (l) interim financial statements; and
 - (m) additional specific transition modifications and reliefs.

10. The staff recommend the Board does not consider further the feedback from respondents on the following topics:
 - (a) presentation in the statement of financial position—premiums receivable and claims payable;

- (b) risk mitigation option for insurance contracts without direct participation features;
 - (c) effective date—comparative information on initial application of IFRS 17;
 - (d) level of aggregation—annual cohorts for all insurance contracts other than those in paragraph 9(j) of this paper;
 - (e) cash flows in the boundary of a reinsurance contract held;
 - (f) subjectivity in determining discount rates and the risk adjustment for non-financial risk;
 - (g) risk adjustment for non-financial risk in a consolidated group of entities;
 - (h) discount rate used to determine adjustments to the contractual service margin;
 - (i) other comprehensive income option for insurance finance income or expenses;
 - (j) business combinations—classification of contracts acquired;
 - (k) scope of the variable fee approach—reinsurance contracts held and reinsurance contracts issued;
 - (l) mutual entities issuing insurance contracts;
 - (m) transition—general optionality and flexibility in the modified retrospective approach; and
 - (n) transition—reliefs in the full retrospective approach.
11. In addition to those topics listed above, Agenda Paper 2C summarises new concerns and implementation questions respondents included in comment letters. The staff will analyse the new concerns and implementation questions and report to the Board at a future meeting so that the Board can decide what, if any, action is needed to address them. The staff think that, at this stage, further changes to IFRS 17 are more likely to disrupt rather than help the implementation process. However, other action such as educational material might be appropriate to continue to support implementation of IFRS 17.

Criteria to be applied when the Board considers further the feedback from outreach and comment letters

12. IFRS 17 is urgently needed to address many inadequacies in the wide range of insurance accounting practice used in applying IFRS 4 and significant implementation activities are underway. Accordingly, in developing the Exposure Draft the Board decided that any amendments to IFRS 17 must not:
 - (a) 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;
 - (b) unduly disrupt implementation already underway; or
 - (c) further delay the effective date of IFRS 17.
13. The staff think the Board should continue to apply the criteria in paragraph 12 of this paper when the Board considers feedback from outreach and comment letters.
14. In addition, the staff note that IFRS 17 includes some exceptions from its general principles to provide practical relief or to reduce an accounting mismatch when the Board concluded that the benefit of such an exception would outweigh the cost. For some topics, some respondents suggested the Board expand existing exceptions, or add further exceptions, noting that, in their view, doing so would increase consistency within the Standard.
15. Generally, increasing consistency within a Standard would be a benefit of any possible amendment the Board might consider. However, the staff note that, by definition, principles and exceptions to those principles are not consistent with one another. Therefore, in the staff view, increasing consistency with an existing exception is not necessarily a valid reason to expand that exception or add further exceptions. In contrast, the staff think that, generally, it is necessary that the number of exceptions in a Standard and the scope of those exceptions is limited. Otherwise, exceptions would be at risk of changing the fundamental principles of a Standard.

Timetable for the redeliberations

16. In the light of the feedback from outreach and comment letters and considering the staff recommendations about the topics the Board should consider further, the staff plan to present papers to the Board at future meetings in the period from December 2019 to February 2020.
17. The staff expect that the timetable would allow sufficient time for the Board to consider further the feedback on those topics and to finalise any resulting amendments, in line with the Board's plan as stated in the Exposure Draft, in mid-2020.

Questions for Board members

1. Do you agree with the proposed amendments the staff have identified that the Board can confirm at a future meeting (see paragraph 7 of this paper)?
2. Do you agree with the topics the staff have identified for which the Board should consider further the feedback from respondents (see paragraph 9 of this paper)?
3. Do you agree with the topics the staff have identified as not needing further consideration (see paragraph 10 of this paper)?

Appendix A—staff thoughts and recommendations for the redeliberations

A1. For each topic for which feedback is summarised in Agenda Papers 2B and 2C, the following three tables:

- (a) reproduce staff thoughts from those papers; and
- (b) summarise staff recommendations for the Board to decide at this meeting whether it:
 - (i) can confirm the proposed amendment at a future meeting;
 - (ii) should consider further the feedback from respondents on the topic; or
 - (iii) does not intend to consider further the topic.

Areas in which the Board proposed amendments to IFRS 17

Topic	Agenda Paper 2B	Staff thoughts	Staff recommendation
Question 1(a)— Scope exclusion for credit cards	Paragraphs 6–9	<p>The staff think that:</p> <ul style="list-style-type: none"> (a) the feedback from outreach and comment letters provides support for the Board to confirm the proposed scope exclusion for the credit card contracts discussed in paragraph 6 of Agenda Paper 2B; and (b) the Board should consider the concerns and suggestions from respondents discussed in paragraphs 7(b)–7(d) of Agenda Paper 2B as part of the redeliberations. <p>The staff think that the Board does not need to consider further the concerns and suggestions from respondents discussed in paragraph 7(e) of Agenda Paper 2B. The Board considered these when developing the Exposure Draft and the staff have not identified points the Board has not considered previously.</p>	Consider further the feedback from respondents.

Topic	Agenda Paper 2B	Staff thoughts	Staff recommendation
Question 1(b)— Scope exclusion for loans	Paragraphs 10–14	<p>The staff think that the feedback from outreach and comment letters provides support for the Board to confirm the proposed scope exclusion for the loan contracts discussed in paragraph 10 of Agenda Paper 2B.</p> <p>The staff think that the Board does not need to consider further the concerns and suggestions from respondents discussed in paragraphs 11(b)–12 of Agenda Paper 2B. The Board considered these when developing the Exposure Draft and the staff have not identified points the Board has not considered previously.</p>	Confirm the proposed amendment.
Question 2— Expected recovery of insurance acquisition cash flows	Paragraphs 15–21	<p>The staff think that:</p> <ul style="list-style-type: none"> (a) the feedback from outreach and comment letters provides support for the Board to confirm the proposal for insurance acquisition cash flows in the Exposure Draft; and (b) the Board should consider the concerns and suggestions from respondents discussed in paragraphs 16–20 of Agenda Paper 2B as part of the redeliberations. 	Consider further the feedback from respondents.

Topic	Agenda Paper 2B	Staff thoughts	Staff recommendation
Question 3(a)— Contractual service margin attributable to investment services Coverage units for insurance contracts without direct participation features	Paragraphs 22–24	<p>The staff think that:</p> <p>(a) the feedback from outreach and comment letters provides support for the Board to proceed with the direction of the proposal for identifying coverage units for insurance contracts without direct participation features; and</p> <p>(b) the Board should consider the concerns and suggestions from respondents discussed in paragraph 23(b)–23(d) of Agenda Paper 2B as part of the redeliberations.</p>	Consider further the feedback from respondents.

Topic	Agenda Paper 2B	Staff thoughts	Staff recommendation
<p>Question 3(b)— Contractual service margin attributable to investment services Coverage units for insurance contracts with direct participation features</p>	<p>Paragraphs 25–27</p>	<p>The staff think that the feedback from outreach and comment letters provides support for the Board to confirm the proposed clarification for identifying coverage units for insurance contracts with direct participation features.</p>	<p>Confirm the proposed amendment.</p>

Topic	Agenda Paper 2B	Staff thoughts	Staff recommendation
Question 3(c)— Contractual service margin attributable to investment services Disclosures	Paragraphs 28–31	The staff think that the Board should consider the concerns and suggestions from respondents discussed in paragraph 30 of Agenda Paper 2B as part of the redeliberations regarding the proposal for identifying coverage units for insurance contracts without direct participation features (Question 3(a) in the Exposure Draft).	Consider further the feedback from respondents.
Question 4— Reinsurance contracts held— recovery of losses	Paragraphs 32–36	The staff think that: (a) the feedback from outreach and comment letters provides support for the Board to proceed with the direction of the proposal for reinsurance contracts held; and (b) the Board should consider the concerns and suggestions from respondents discussed in paragraph 35 of Agenda Paper 2B as part of the redeliberations.	Consider further the feedback from respondents.

Topic	Agenda Paper 2B	Staff thoughts	Staff recommendation
Question 5— Presentation in the statement of financial position	Paragraphs 37–41	<p>The staff think that the feedback from outreach and comment letters provides support for the Board to confirm the proposal for the presentation of insurance contracts in the statement of financial position.</p> <p>The staff think that the Board does not need to consider further the concerns and suggestions from respondents discussed in paragraph 39 of Agenda Paper 2B. The Board considered these when developing the Exposure Draft and the staff have not identified points the Board has not considered previously.</p>	Confirm the proposed amendment.

Topic	Agenda Paper 2B	Staff thoughts	Staff recommendation
<p>Question 6— Applicability of the risk mitigation option</p>	<p>Paragraphs 42–47</p>	<p>The staff think that:</p> <ul style="list-style-type: none"> (a) the feedback from outreach and comment letters provides support for the Board to confirm the proposal that would permit an entity to apply the risk mitigation option when the entity uses reinsurance contracts held to mitigate financial risk arising from insurance contracts with direct participation features; and (b) the Board should reconsider in the redeliberations whether to extend the applicability of the risk mitigation option to circumstances when an entity uses non-derivative financial instruments measured at fair value through profit or loss to mitigate financial risk arising from insurance contracts with direct participation features, in the light of the feedback from respondents discussed in paragraph 44(a) of Agenda Paper 2B. <p>The staff think that the Board does not need to consider further the concerns and suggestions from respondents discussed in paragraph 44(b)–44(c) of Agenda Paper 2B. The Board considered these when developing the Exposure Draft and the staff have not identified points the Board has not considered previously.</p>	<p>Confirm the proposed amendment for reinsurance contracts held and consider further the feedback from respondents on non-derivative financial instruments measured at fair value through profit or loss.</p>

Topic	Agenda Paper 2B	Staff thoughts	Staff recommendation
Question 7(a)— Effective date of IFRS 17	Paragraphs 48–53	<p>The staff think that:</p> <ul style="list-style-type: none"> (a) the feedback from outreach and comment letters provides support for the Board to confirm the proposal to defer the effective date of IFRS 17; and (b) the Board should consider the concerns and suggestions from respondents discussed in paragraph 50 of Agenda Paper 2B as part of the redeliberations. <p>The staff think that the Board does not need to consider further the suggestion from respondents, discussed in paragraph 51 of Agenda Paper 2B, not to present adjusted comparative information on initial application of IFRS 17. The Board considered this when developing the Exposure Draft and the staff have not identified points the Board has not considered previously.</p>	Consider further the feedback from respondents.

Topic	Agenda Paper 2B	Staff thoughts	Staff recommendation
Question 7(b)— IFRS 9 temporary exemption in IFRS 4	Paragraphs 54–59	<p>The staff think that:</p> <p>(a) the feedback from outreach and comment letters provides support for the Board to confirm the proposal to extend the temporary exemption from IFRS 9; and</p> <p>(b) the Board should consider the feedback from respondents discussed in paragraphs 56–58 of Agenda Paper 2B as part of the redeliberations at the same time it considers the concerns and suggestions from respondents about the effective date of IFRS 17.</p>	Consider further the feedback from respondents.

Topic	Agenda Paper 2B	Staff thoughts	Staff recommendation
<p>Question 8(a)— Transition reliefs for business combinations</p>	<p>Paragraphs 60–66</p>	<p>The staff think that:</p> <ul style="list-style-type: none"> (a) the feedback from outreach and comment letters provides support for the Board to confirm the proposed additional transition relief for insurance contracts acquired; (b) the Board should clarify in the final drafting that the proposed amendment would apply to contracts acquired in a transfer of insurance contracts that do not form a business, in the light of the feedback discussed in paragraph 63 of Agenda Paper 2B; (c) the Board does not need to consider further the suggestions discussed in paragraph 64 of Agenda Paper 2B because permitting any reliefs within the full retrospective approach or general optionality and flexibility in the modified retrospective approach would contradict the objective of those approaches, as further discussed in Agenda Paper 2C; and (d) the Board should consider the concerns and suggestions from respondents discussed in paragraph 65 of Agenda Paper 2B as part of the redeliberations, as further discussed in Agenda Paper 2C. 	<p>Confirm the proposed amendment and consider further the feedback from respondents on contracts acquired in their settlement period.</p>

Topic	Agenda Paper 2B	Staff thoughts	Staff recommendation
Question 8(b)–(c)—Transition reliefs for the risk mitigation option	Paragraphs 67–72	<p>The staff think that:</p> <ul style="list-style-type: none"> (a) the feedback from outreach and comment letters provides support for the Board to confirm the proposals discussed in paragraph 67 of Agenda Paper 2B; and (b) the Board should consider the concerns and suggestions from respondents discussed in paragraphs 69–71 of Agenda Paper 2B as part of the redeliberations. 	Confirm the proposed amendment and consider further the feedback from respondents on the prohibition from applying the risk mitigation option retrospectively.
Question 9—Minor amendments	Paragraphs 73–77	The staff think that the Board should consider the concerns and suggestions from respondents about proposed minor amendments discussed in paragraphs 75–76 of Agenda Paper 2B as part of the redeliberations.	Consider further the feedback from respondents.

Topic	Agenda Paper 2B	Staff thoughts	Staff recommendation
Question 10— Terminology	Paragraphs 78–82	The staff think that the Board should consider the feedback on possible terminology changes as part of the redeliberations of the proposal for identifying coverage units and the related proposed definition of ‘insurance contract services’ (Question 3 in the Exposure Draft).	Consider further the feedback from respondents as part of the discussion of Question 3.

Areas the Board considered and for which amendments to IFRS 17 were not proposed

Topic	Agenda Paper 2C	Staff thoughts	Staff recommendation
Level of aggregation	Paragraphs 7–13	The staff have identified from the feedback from outreach and comment letters additional information about the balance between the cost and benefits of annual cohorts for the contracts discussed in paragraph 12(c) of Agenda Paper 2C. Therefore, the staff think that the Board should consider, as part of the redeliberations, whether this additional information is relevant to the decision the Board took previously for those specific contracts.	Consider further the feedback from respondents on some specific contracts.

Topic	Agenda Paper 2C	Staff thoughts	Staff recommendation
Cash flows in the boundary of a reinsurance contract held	Paragraphs 14–19	The staff think that the Board does not need to re-discuss this topic as part of the redeliberations. When developing the Exposure Draft, the Board considered the concerns and suggestions from respondents as discussed in paragraph 16 of Agenda Paper 2C and the staff have not identified points the Board has not considered previously.	Do not plan to consider further the topic.
Subjectivity in the determination of discount rates and the risk adjustment for non-financial risk	Paragraphs 20–24	The staff think that the Board does not need to re-discuss this topic as part of the redeliberations. When developing the Exposure Draft, the Board considered the suggestions from respondents as discussed in paragraph 22 of Agenda Paper 2C and the staff have not identified points the Board has not considered previously.	Do not plan to consider further the topic.

Topic	Agenda Paper 2C	Staff thoughts	Staff recommendation
Risk adjustment for non-financial risk in a consolidated group of entities	Paragraphs 25–29	The staff think that the Board does not need to re-discuss this topic as part of the redeliberations because all respondents who commented on this topic agreed with the Board’s decision.	Do not plan to consider further the topic.
Discount rate used to determine adjustments to the contractual service margin	Paragraphs 30–36	The staff think that the Board does not need to re-discuss this topic as part of the redeliberations. When developing the Exposure Draft, the Board considered the concerns and suggestions from respondents as discussed in paragraphs 32–33 of Agenda Paper 2C and the staff have not identified points the Board has not considered previously.	Do not plan to consider further the topic.

Topic	Agenda Paper 2C	Staff thoughts	Staff recommendation
Other comprehensive income option for insurance finance income or expenses	Paragraphs 37–41	The staff think that the Board does not need to re-discuss this topic as part of redeliberations because all respondents who commented on this topic agreed with the Board’s decision.	Do not plan to consider further the topic.
Business combinations Contracts acquired in their settlement period	Paragraphs 42–48	The staff have identified that some feedback from respondents challenges the determination of the insured event applying IFRS 17. Therefore, the staff think that the Board should consider, as part of the redeliberations, whether that feedback is relevant to the decision the Board took previously for contracts acquired in their settlement period.	Consider further the feedback from respondents.

Topic	Agenda Paper 2C	Staff thoughts	Staff recommendation
Business combinations Classification of contracts acquired	Paragraphs 49–55	The staff think that the Board does not need to re-discuss this topic as part of the redeliberations. When developing the Exposure Draft, the Board considered the concerns and suggestions from respondents as discussed in paragraphs 51–52 of Agenda Paper 2C and the staff have not identified points the Board has not considered previously.	Do not plan to consider further the topic.
Scope of the variable fee approach Reinsurance contracts issued	Paragraphs 56–62	The staff think that the Board does not need to re-discuss this topic as part of the redeliberations. When developing the Exposure Draft, the Board considered the concerns and suggestions from respondents as discussed in paragraph 58 of Agenda Paper 2C and the staff have not identified points the Board has not considered previously. However, the staff think that the Board could consider better articulating in the Basis for Conclusions on IFRS 17 the reasons for which reinsurance contracts issued are not eligible for the variable fee approach.	Do not plan to consider further the topic.

Topic	Agenda Paper 2C	Staff thoughts	Staff recommendation
Interim financial statements	Paragraphs 63–74	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. Therefore, the staff think that the Board should consider, as part of the redeliberations, whether this additional information is relevant to the decision the Board took previously for the requirement for interim financial statements in IFRS 17.	Consider further the feedback from respondents.
Mutual entities issuing insurance contracts	Paragraphs 75–79	<p>The staff think that the Board:</p> <p>(a) does not need to re-discuss this topic as part of redeliberations. When developing the Exposure Draft, the Board considered the concerns and suggestions from respondents as discussed in paragraphs 76–77 of Agenda Paper 2C and the staff have not identified points the Board has not considered previously.</p> <p>(b) should confirm the proposed footnote to paragraph BC265 of the Basis for Conclusions on IFRS 17 discussed in paragraph 77(b) of Agenda Paper 2C.</p>	Do not plan to consider further the topic and confirm the addition of the proposed footnote to the Basis for Conclusions on IFRS 17.

Other comments

Topic	Agenda Paper 2C	Staff thoughts	Staff recommendation
Additional transition modifications and reliefs	Paragraphs 80–81	<p>The staff think that the Board:</p> <p>(a) does not need to consider further general suggestions to permit an entity more optionality and flexibility in the modified retrospective approach. The Board noted that more optionality and flexibility would contradict the objective of the modified retrospective approach and would reduce the usefulness of information for users of financial statements.</p> <p>(b) does not need to consider permitting any reliefs within the full retrospective approach, as doing so would contradict the objective of the full retrospective approach and would reduce the usefulness of information for users of financial statements.</p> <p>(c) should consider, in the redeliberations, additional specific transition modifications and reliefs suggested by respondents. The staff think that such additional transition modifications and reliefs may ease implementation without reducing the usefulness of information for users of financial statements.</p>	Consider further the feedback from respondents on additional specific transition modifications and reliefs.

Topic	Agenda Paper 2C	Staff thoughts	Staff recommendation
New concerns and implementation questions	Paragraphs 82–85	<p>The staff will analyse the new concerns and implementation questions and report to the Board at a future meeting so that the Board can decide what, if any, action is needed to address them. The staff think that, at this stage, further changes to IFRS 17 are more likely to disrupt rather than help the implementation process. However, other action such as educational material might be appropriate to continue to support implementation of IFRS 17.</p>	Consider further the feedback from respondents.