Building a better working world

Insurance Accounting Alert

February 2019

IASB proposes changes to IFRS 17 covering scope and transition

What you need to know

At its meeting on 7 February 2019, the IASB (or Board) tentatively decided to:

- Amend the scope of IFRS 9 *Financial Instruments* and IFRS 17 *Insurance Contracts* for contracts with insurance risk arising only from the settlement of some or all of the obligation created by the contract itself, for example, a loan with a waiver upon death. The amendment would enable entities issuing such contracts to apply either IFRS 17 or IFRS 9. The election would be made at a portfolio level.
- Amend the transition requirements in IFRS 17 for liabilities that relate to the settlement of claims that were incurred before an insurance contract was acquired, when a full retrospective approach at transition is impracticable.

The Board decided not to change the other aspects of IFRS 17 transition requirements that it considered during this meeting. However, the staff noted it will continue to explore further solutions on the topic of retrospective application of risk mitigation and plan to present a paper on this topic at a future meeting.

Overview

At its Board meeting on Thursday 7 February, the International Accounting Standards Board (IASB or the Board) considered six further potential changes to IFRS 17, including an issue deferred from December 2018. It tentatively decided to proceed with two of these changes but, in line with the IASB staff recommendation, did not agree with the four other proposed changes.

The story so far

The IASB issued IFRS 17 in May 2017. Our publication, *Applying IFRS 17: a closer look at the new insurance contracts standard*, provides further details on the requirements: http://www.ey.com/Publication/vwLUAssets/ey-Applying-IFRS-17-Insurance-May-18/$FILE/ey-Applying-IFRS-17-Insurance-May-18.pdf.

The cover note and papers for the February 2019 meeting, including an analysis of the concerns raised by stakeholders are available on the IASB's website: https://www.ifrs.org/news-and-events/calendar/2019/february/international-accounting-standards-board/.

Potential changes to IFRS 17

The IASB agreed during its October 2018 meeting to consider changes to IFRS 17 at future meetings, and the IASB staff presented 25 concerns and implementation challenges raised by stakeholders for future consideration. The Board has discussed 24 of the topics in the months from November 2018 to February 2019 and is expected to discuss the remaining topic (level of aggregation) in March 2019 together with a few other questions that have emerged during the discussions. Of the 24 topics discussed so far, including the topics discussed at the February 2019 meeting, the Board has tentatively decided to make changes to IFRS 4 *Insurance Contracts*, IFRS 9 and IFRS 17 in respect of the following topics (items referred to in the table in the Appendix):

- To permit an entity to apply IFRS 17 or IFRS 9 to certain loans that transfer significant insurance risk (Item 1)
- Deferral of insurance acquisition cash flows relating to renewals outside the contract boundary (Item 3)
- CSM coverage period in the general model to include when an entity provides investment return services (Item 7)
- To extend the scope of the variable fee approach (VFA) risk mitigation exception to include financial risk mitigation through reinsurance contracts (Item 8)
- The accounting for reinsurance contracts held when underlying insurance contracts are onerous at initial recognition (Item 12)
- Separate presentation of insurance contract assets and liabilities in the statement of financial (Item 15) position by portfolios of insurance contracts rather than groups of insurance contracts
- To delay the effective date of IFRS 17 to 2022 (Item 20)
- To extend the temporary exemption from applying IFRS 9 to 2022 for entities whose activities are predominantly connected with insurance (this is a change to IFRS 4) (Item 22)
- The transition requirements in IFRS 17 for liabilities that relate to the settlement of claims that were incurred before an insurance contract was acquired (Item 24)

In our October *Insurance Accounting Alert*, we provided the full list of the 25 concerns and implementation challenges, as reported to the IASB. The current status of the items and their review by the IASB, are summarised in the table in the Appendix.

The criteria for assessing potential changes to IFRS 17

The Board applied the criteria agreed upon at the October 2018 Board meeting to assess whether any of the potential changes suggested by stakeholders were warranted.

Those criteria are that, in addition to demonstrating a need for amendment, the IASB staff must show that:

1. The amendments would not result in significant loss of useful information for users of financial statements, i.e., any amendments would avoid:
    1. Reducing the relevance and faithful representation of information in the financial statements
    2. Causing reduced comparability or introducing internal inconsistency in IFRS standards
    3. Increasing complexity for users
2. The amendments should not unduly disrupt implementation processes that are already under way or risk undue delays to the effective date of a standard that is needed to address many inadequacies in the existing wide range of insurance accounting practices

Proposed amendments to IFRS 17 discussed in February

1. Loans that transfer significant insurance risk

The staff recommended to amend the scope of both IFRS 17 and IFRS 9 for insurance contracts for which the only insurance cover in the contract is for the settlement of some or all of the obligation created by the contract. The amendment would enable entities issuing such contracts to apply either IFRS 17 or IFRS 9. This election would be made at a portfolio level.

Rationale for the decision

Banks and other non-insurers may issue loans that transfer significant insurance risk with the only insurance cover in the contract being the settlement of some or all of the obligations created by the contract (i.e., the waiver of the obligation of the policyholder/borrower to pay the loan and its accrued interest). The staff paper includes three examples of loans with this type of insurance cover:

- Mortgages with waiver upon death
- Student loans
- Lifetime mortgages (also known as equity release or reverse mortgage contracts)

Loans that transfer significant insurance risk, and for which the only insurance cover in the contract is for the settlement of some or all of the obligations created by the contract, are likely to be insurance contracts within the scope of IFRS 4 and IFRS 17. However, the accounting consequences for insurance contracts under IFRS 4 are different from those under IFRS 17. The staff clarified that, applying IFRS 4, an issuer of these loans could account separately for the loan (deposit component) and insurance components in the contracts and apply IFRS 9 to measure the embedded loan. When applying IFRS 17, an entity would need to apply it to the contract in its entirety. The staff think that applying IFRS 17 is appropriate, but they acknowledge that there may be significant costs to implement IFRS 17, without corresponding benefits, for entities that do not issue insurance contracts other than those referred to above. For such entities, applying IFRS 9 to these contracts would provide useful information and could avoid significant costs.

Observations from the Board meeting

The staff had recommended that the choice between applying IFRS 9 or IFRS 17 would be made on a contract-by-contract basis. Board members expressed concerns about the potential effect on understandability for users of financial statements if very similar contracts could be accounted for in different ways in the same financial statements. Based on the Board feedback, the staff amended the recommendation to require that an entity would make an election at portfolio level to apply either IFRS 9 or IFRS 17 to all contracts within that portfolio (i.e., contracts subject to similar risks and managed together).

Some Board members suggested that entities that chose IFRS 9 for these contracts should be required to make additional disclosures about the insurance risks they transfer and whether they should be required to measure the contracts at fair value through profit or loss (FVPL). However, other Board members felt this was unnecessary because IFRS 9 and IFRS 7 *Financial Instruments: disclosures* were designed to deal with complex contracts.

The staff noted that the paper did not discuss the applicability of the proposed choice between applying IFRS 9 or IFRS 17 for entities that issue credit card contracts that offer insurance regarding purchased products. The staff are still analysing credit cards contracts and intend to report back to the Board at a future meeting.

The Board voted 13 to 1 in favour of the staff recommendation to amend the standard. One Board member objected due to the lack of comparability and increased complexity that would result from the introduction of industry specific solutions.

2. Transition — approach to claims liabilities acquired

The staff proposed to amend the transition requirements in IFRS 17 for a liability that relates to the settlement of claims incurred before an insurance contract was acquired, as follows:

- To add a specified modification in the modified retrospective approach to require an entity to classify such a liability as a liability for incurred claims. Consistent with the other specified modifications, an entity would be permitted to use this specified modification only to the extent that it does not have reasonable and supportable information to apply a retrospective approach
- To permit an entity applying the fair value approach to choose to classify such liabilities as a liability for incurred claims

Rationale for the decision

Under IFRS 17, contracts acquired in a business combination or a portfolio transfer are accounted for as if the entity has issued them on the transaction date. When an entity acquires insurance contracts in their claims settlement period, the resulting liability is classified as a liability for remaining coverage applying IFRS 17. In contrast, an entity's liability to settle claims arising from contracts it issues is classified as a liability for incurred claims. The measurement of a liability for incurred claims at transition to IFRS 17 comprises estimates of the present value of future cash flows and a risk adjustment. This measurement reflects only circumstances at the measurement date and does not require the use of any specified modification on transition, whereas the measurement of a liability for remaining coverage includes a contractual service margin (CSM) or a loss component. Both the modified retrospective approach and the fair value approach specify requirements for determining the CSM or loss component of the liability for remaining coverage at the transition date.

Some stakeholders noted that, in some cases, when an entity acquires insurance contracts in a portfolio transfer, the contracts acquired are managed in the same system as those that have been issued by the entity. This may equally be the case for a transaction involving a business combination. Stakeholders explained it may be impracticable on transition to distinguish between claims liabilities that arose from acquired contracts and those arising from initiated contracts. The staff, therefore, recommend amending IFRS 17 in respect of the modified retrospective approach and the fair value approach to provide potential simplifications regarding the classification of liabilities that relate to the settlement of claims incurred before an insurance contract was acquired.

The Board voted unanimously in favour of the staff recommendation to amend the standard.

Other changes rejected by the Board

3. Transition — optionality and comparative information

The staff recommended to:

- Retain the existing IFRS 17 transition requirements — without amendments that would reduce optionality included in those requirements
- Retain the existing IFRS 17 requirement to present restated comparative information for the annual reporting period immediately preceding the date of initial application

Rationale for the decision

The IFRS 17 transition requirements provide entities with the option to apply either a modified retrospective approach or a fair value approach to groups of contracts for which it is impracticable to apply a full retrospective approach. There are also options within the fair value approach. Some stakeholders are concerned about the lack of comparability between entities that could arise from the existence of these options – particularly as their effects may continue for several years after initial application. The staff paper considers some of the alternatives that could restrict the options, e.g., to remove the choice between modified retrospective and fair value approachees. The staff think that restricting the options now would fail one of the criteria for amending the standard because it would disrupt implementation already under way. They also note that some of the suggested methods for restricting the optionality at transition were exposed for comment, and evaluated accordingly, before IFRS 17 was published.

On initial application of IFRS 17, an entity is required to restate comparative information about insurance contracts for the annual reporting period immediately preceding the date of initial application. This contrasts with IFRS 9 which does not require restatement of comparative amounts on transition nor allow restatement if doing so requires the use of hindsight. Some stakeholders suggested that the IASB should remove the requirement to restate comparative information in IFRS 17 due to concerns that there is insufficient time to implement the standard and the potential distortion in the financial statements that could be caused by restating comparative information for insurance contracts, but not financial assets.

The staff noted that the Board has tentatively decided to defer the effective date of IFRS 17 by one year, thereby providing more time to prepare comparative information. They also noted that not restating comparative information about insurance contracts would cause a significant loss of useful information, because IFRS 17 introduces fundamental and pervasive changes to the accounting for insurance contracts. The staff confirmed that an entity can avoid accounting mismatches by restating comparative information applying IFRS 9 as it is possible to do so without hindsight by collecting the necessary information now.

Observations from the Board meeting

Board members understood the concerns raised by stakeholders about reduced comparability, but, on balance, saw optionality on transition as appropriate. Board members also strongly agreed that the changes introduced by IFRS 17 are so fundamental that restated comparatives are essential in order to distinguish between economic and accounting changes.

The Board voted unanimously in favour of the staff recommendation not to amend the standard.

4. Transition — risk Mitigation option

The staff proposed to retain the existing requirements in IFRS 17 relating to the prohibition of retrospective application of the risk mitigation option in the VFA at the date of initial application of IFRS 17. The staff expressed its intention to present a paper at a future meeting that considers the possibility of applying a prospective approach to risk mitigation as at the date of transition to IFRS 17, and other potential ways of mitigating the issues caused by the prohibition of a retrospective approach to applying the risk mitigation option.

Rationale for the decision

Accounting mismatches can arise if the effects of changes in financial assumptions adjust the CSM of groups of contracts subject to the VFA, while the effects of the same changes on the fair value of derivatives held to mitigate those risks are recognised in profit or loss. For this reason, there is a "risk mitigation option" in the VFA that allows an entity, in specified circumstances, to recognise the effect of some changes in financial risk in the insurance contracts in profit or loss, instead of adjusting the CSM.

The risk mitigation option can only be applied prospectively from the date of initial application of IFRS 17, even though risk mitigation activities may have been in place before that date. Stakeholders are concerned that a CSM at the date of initial application of IFRS 17 that does not reflect risk mitigation activities from previous periods may distort the equity of entities on that date and the revenue recognised for these groups of contracts in future periods. Equity on transition will include the fair value of the derivatives while the corresponding effect on the insurance contracts will be included in the measurement of the CSM of the insurance contracts liabilities. The CSM at the date of initial application of IFRS 17 will include an adjustment for the changes in financial risks prior to the date of initial application that would have been excluded had the risk mitigation option been applied retrospectively. Stakeholders suggested that, to address this issue, IFRS 17 should be amended in the following ways:

- To allow entities to apply the risk mitigation option either retrospectively, or prospectively from the transition date rather than the date of initial application
- To allow entities to apply the risk mitigation option retrospectively provided that they demonstrate a previously documented risk-management objective and strategy for using derivatives to mitigate financial risk arising from insurance contracts

  Or

- To specify that a retrospective approach is applied in all circumstances where previously documented risk-management objectives and strategies exist. This "all or nothing" approach is aimed to counter the risk of "cherry-picking" of beneficial risk mitigation relationships, based on the outcome known at the effective date, that the IASB staff have cited in the past as a reason for prohibiting retrospective application

The IASB staff observed that the risk mitigation option is prospective in nature, and they think that applying it retrospectively without the use of hindsight is challenging. They are evidently still concerned about cherry-picking opportunities that could arise when an entity estimates what amounts it would have recognised in profit or loss for a mitigated risk. They acknowledged that equity and future profitability reported by entities would be different if companies had been able to apply risk mitigation retrospectively. However, the staff are concerned that the resulting ability to apply hindsight effectively enables entities to choose the amount of the CSM on transition, and thus, the future profit to be recognised in profit or loss. They also think that retrospective application of the risk mitigation option could lead to unjustified inconsistency with the requirements for hedge accounting in IFRS 9, which prohibits the retrospective application of hedge accounting for the same reason. For these reasons, the staff recommended that the Board retains the prohibition on retrospective application of the risk mitigation option on transition to IFRS 17.

Observations from the Board meeting

Board members agreed to prohibit retrospective application of the risk mitigation option at the date of initial application of IFRS 17, but expressed concern about potential distortions of equity at that date and of profitability reported in subsequent periods. They were also concerned about potential distortion during the comparative period if the effect of risk mitigation was not applied in the comparative period. The Board voted in favour of prohibiting retrospective application of the risk mitigation option because of concerns over the use of hindsight and risk of cherry-picking, as explained in the staff paper. However, they noted the staff intention to investigate the possibility of applying risk mitigation prospectively from the date of transition, thereby mitigating some of the distortions that could arise in the comparative period. The staff also indicated they are exploring whether there could be other approaches to addressing the issues arising from prohibiting a retrospective approach before the date of transition.

The Board voted 13 to 1 in favour of the staff recommendation not to amend the standard.

5. Transition — accumulated other comprehensive income

The staff proposes to retain the requirements in IFRS 17 with respect to the cumulative amounts included in other comprehensive income (OCI) on transition to IFRS 17.

When an entity chooses to disaggregate insurance finance income or expenses between profit or loss and OCI, it may be permitted or required to determine the cumulative amount of insurance finance income or expenses recognised in OCI at the transition date as nil in the following circumstances:

- Permitted when applying the fair value approach
- Permitted when applying the modified retrospective approach for groups of insurance contracts that include contracts issued more than one year apart
- Required when applying the modified retrospective approach for groups of insurance contracts that do not include contracts issued more than one year apart where changes in assumptions that relate to financial risk have a substantial effect on the amounts paid to policyholders

Some stakeholders raised concerns about what they consider to be distortions in equity that could arise from accumulated OCI relating to insurance contracts being set to nil at transition when accumulated OCI for the related assets would not be nil. They suggested that the Board should amend the requirements of IFRS 17 to either:

- Permit an entity to deem the accumulated amount of finance income in OCI of related assets as nil at transition to IFRS 17

  Or

- Permit an entity to deem the accumulated amount of insurance finance income or expenses in OCI for these insurance contracts at the same amount as the accumulated amount of finance income in OCI on the related assets at transition

The Board agreed with staff that such a change should not be proposed. In the view of the Board, a conflict would be created with the requirements of IFRS 9, there would be reduced comparability between entities that hold different assets, and identifying which assets related to the liabilities would be subjective.

On identifying the assets related to the liabilities, the staff mentioned that the disclosure requirements in IFRS 17 would be adequate to provide useful information to users of financial statements on the related assets. Entities are required to disclose a reconciliation from the opening to the closing balance of the cumulative amounts included in OCI for financial assets measured at fair value through OCI related to groups of insurance contracts for which cumulative OCI is set to nil. This is required for all periods in which amounts determined applying these requirements exist. The staff paper notes that the staff will discuss in a future Board paper whether this disclosure should be extended to cover the insurance finance income or expenses of such contracts.

The Board voted unanimously in favour of the staff recommendation not to amend the standard.

6. Transition — modified retrospective approach

The modified retrospective approach specifies certain assessments an entity may make at transition date, instead of determining those matters at the time of initial recognition, and provides specified proxies for some IFRS 17 requirements to which that modification relates. However, an entity may only apply a specified modification to the extent it lacks reasonable and supportable information, without incurring undue cost or effort, to apply a full retrospective approach.

Some stakeholders have said that it will often be impracticable for them to apply a full retrospective approach to transition to IFRS 17. Some of those stakeholders have said that they would like to use the modified retrospective approach to transition, rather than the fair value approach, because they think that applying IFRS 17 retrospectively to the extent possible will provide the most useful information about their business at the transition date and going forward. However, they also expressed the view that the modified retrospective approach is too restrictive, making it costly and burdensome to apply in practice. Stakeholders have suggested several changes to the modified retrospective approach. The IASB and its staff are in favour of one of the proposed changes, creating a modification for contracts acquired in their settlement period before transition, when a full retrospective approach is impracticable (see 2 above), but are not in favour of the other suggestions.

The staff think that the existing requirements of the modified retrospective approach are fundamental to achieving the principles of this approach. The staff therefore recommended to reject the following suggested changes to the guidance on the modified retrospective approach:

A. Make the specified modifications of the modified retrospective approach available even when the entity has reasonable and supportable information to retrospectively apply the IFRS 17 requirement to which that modification relates.

The staff disagreed with this suggestion because an objective of the modified retrospective approach is to achieve an outcome that is as close as possible to a full retrospective approach to minimise differences between accounting for contracts issued before and after the transition date. The staff think that to allow an entity to ignore its ability to retrospectively apply specific requirements in IFRS 17 is not justified and would result in an unacceptable loss of useful information.

B. Make the specified modifications of the modified retrospective approach available even when the entity does not have reasonable and supportable information to apply that modification

The staff disagreed with this suggestion because they think it is inappropriate to allow an entity to apply a specified modification without having reasonable and supportable information to do so.

C. Allow an entity to develop its own modifications that it regards as consistent with the objective of the modified retrospective approach.

The staff disagreed with this suggestion because they think that, if an entity was permitted to apply further unspecified modifications, it could risk moving so far away from full retrospective application that it no longer meets the objective of approximating full retrospective application. The staff think the benefits of the modified retrospective approach would be lost.

D. Amend the wording of the modification that allows an entity to use cash flows that are known to have occurred prior to the transition date (instead of an entity's expectations of future cash flows at the date of initial recognition) to clarify that the entity can use reasonable and supportable information when determining cash flows that are known to have occurred. Some stakeholders think they need to identify actual cash flows that have occurred.

The staff think it is not necessary to amend IFRS 17 to state that an entity can use reasonable and supportable information when determining cash flows that are known to have occurred. IFRS 17 requires the use of reasonable and supportable information when applying the modified retrospective approach. Therefore, if data on actual cash flows has not been collected or has been collected at a different level than required, an entity is required to use reasonable and supportable information to estimate those amounts. The staff think this concern is an example of a wider misunderstanding by some stakeholders about the use of estimates at transition. The staff think it may be helpful to stakeholders if the Board were to explain in the Basis for Conclusions on IFRS 17 that the existence of specified modifications in the modified retrospective approach does not prohibit an entity from:

- Making estimates that are necessary in retrospectively applying an accounting policy as described in paragraph 51 of IAS 8 Accounting Policies, Changes in *Accounting Estimates and Errors*

  Or

- Similarly, making estimates when applying a specified modification in the modified retrospective approach

E. Allow application of the specified modifications to determine the contractual service margin, or loss component of the liability for remaining coverage, related to groups of insurance contracts without direct participation features (general model contracts) equally to groups of contracts with direct participation features (VFA contracts).

The staff disagreed with this suggestion because they think it is highly unlikely that applying the specified modifications that are applicable to general model contracts to VFA contracts would provide an outcome that is closer to that which would result from applying the transition requirements in IFRS 17 for VFA contracts. This is because the specified modifications for VFA contracts are intended to enable entities to determine directly the contractual service margin (CSM) at transition date. This is possible because of the extent to which the contractual service margin is remeasured in the VFA approach.[1]

In contrast, the specified modifications for general model contracts are designed to help entities to first estimate the contractual service margin at initial recognition of contracts and then to roll forward the contractual service margin to determine the contractual service margin on the transition date. These specified modifications relate to estimates of cash flows, discount rates and the risk adjustment for non-financial risk.

Observations from the Board meeting

Some Board members emphasised that information produced under the modified retrospective approach needs to be robust. To allow modifications without limits on methods employed could cause the information to become opaque and detract from its value. Several Board members suggested providing an education session to help constituents better understand the intended application of the modified retrospective approach.

The Board voted unanimously in favour of the staff recommendation not to amend the standard.

[1] The contractual service margin for VFA contracts at the transition date is calculated as the difference between the total fair value of the underlying items at that date minus the fulfilment cash flows at that date, with some adjustments for amounts that occurred before the transition date.

How we see it

- Banks and other non-insurance financial institutions will welcome the opportunity to apply IFRS 9 to loans that they issue that transfer significant insurance risk, but for which, the only insurance cover in the contract is for the settlement of some or all of the obligation created by the contract
- Some preparers will be disappointed that relatively few changes have been made to the modified retrospective approach. Some stakeholders think the modified retrospective approaches specified in IFRS 17 are themselves impracticable and are concerned that this will effectively force them to apply the fair value approach to many groups of contracts at transition. The staff papers indicate an effort to balance the practicability concerns of preparers with the needs of the users of the financial statements. The staff papers suggest that preparers might be able to make greater use of the modified approach if they use estimates. Indeed, the Board proposed highlighting in the Basis for Conclusions the ability to use estimates when applying the IFRS 17 measurement retrospectively
- The decision to affirm the requirement to provide comparative IFRS 17 information on transition means that insurers need to determine whether they will also prepare comparatives for IFRS 9 if both standards are applied together for the first time

Next steps

The next Board meeting will be held in March 2019, when the IASB staff are expected to present papers on the level of aggregation, the last of the 25 potential changes that were identified in October 2018, and other questions that have emerged during the discussions on the potential changes to IFRS 17. For example, the material prepared for the February 2019 meeting refers to a question about a risk mitigation option for general model contracts, related to the December 2018 Board discussion on risk mitigation, that is to be discussed at a future meeting.

After the Board has considered all of the individual topics, it plans to consider how the package of proposed amendments works before concluding whether the benefits of making the amendments outweighs the costs and do not unduly disrupt implementations already underway. The Board will also consider whether any amendments to the disclosure requirements are required as a result of the amendments tentatively decided by the Board.

The IASB staff expect to publish an Exposure Draft setting out the proposed changes to IFRS 17 by the end of the first half of 2019.

The next meeting of the Transition Resource Group for IFRS 17 (TRG) is on 4 April 2019.

Appendix: status of suggested changes to IFRS 17 raised by stakeholders

Status of suggested changes to IFRS 17 raised by stakeholders

Suggested changes to the Standard raised by stakeholders	Decision timing	Initial tentative decision
1. Scope | Exclude from the scope of IFRS 17 some or part of insurance contracts that have as their primary purpose the provision of loans or other forms of credit	February 2019 Paper 2A	Amend. Choice of IFRS 9 or IFRS 17 for certain contracts
2. Level of aggregation | Simplify the level of aggregation requirements to make them less prescriptive and/or less granular	Future meeting	
3. Acquisition cost deferral | require or allow an entity to allocate insurance acquisition cash flows directly attributable to a contract not just to that contract, but also to expected future renewals of that contract	January 2019 Paper 2A	Amend. Require deferral
4. CSM discount rate | Use of current discount rates when adjusting the contractual service margin for changes in estimates related to future service under the general model	December 2018 Paper 2B	No Change
5. Subjectivity regarding risk adjustment and discount rate | Prescribe specific methods for selecting of discount rates and techniques for measuring the risk adjustment	December 2018 Paper 2B	No Change
6. Risk adjustment in a consolidated group | Clarify that the risk adjustment of insurance liabilities within a consolidated group is determined only by the issuing entity that is party to the contract with the policyholder	December 2018 Paper 2B	No Change
7. CSM coverage period in general model | Change the definition of the coverage period for contracts to which the general model applies that provide both insurance and investment return services to policyholders	January 2019 Paper 2E	Amend. Include investment return service
8. Limited applicability of risk mitigation exception[2] | (A) Extend the applicability of the risk mitigation exception in the variable fee approach to non-derivative instruments (e.g., reinsurance contracts) and (B) allow the application of the exception retrospectively on transition	(A) December 2018 Paper 2C and January 2019 Paper 2D (B) February 2019 Paper 2C	(A) Amend. Allow for reinsurance held (B) No change
9. Premium Allocation Approach (PAA) Premiums Receivable | Possibility to identify premiums received and receivable at a higher level of aggregation than a group of contracts, e.g., at portfolio level	December 2018 Paper 2A	No Change
10. Business combinations | Classification of insurance contract to be performed on the date that the contracts were originally written, rather than the date that the contracts are acquired in a business combination	December 2018 Paper 2D	No Change
11. Business Combinations: contracts acquired during the settlement period | Continue to apply the accounting treatment of the transferring entity to contracts in their settlement period acquired in a business combination. IFRS 17 currently requires them to be treated as contracts providing coverage for the adverse development of claims	December 2018 Paper 2D	No Change
12. Reinsurance contracts held | Modify the requirements on initial recognition of reinsurance contracts held that provide proportionate coverage when they protect underlying contracts issued that are onerous at initial recognition. Modification would allow recognition of profit on reinsurance to the extent that it offsets a loss recognised on the underlying contracts reinsured	January 2019 Papers 2B and 2C	Amend. Recognise reinsurance gain in P/L to match underlying loss
13. Reinsurance contracts and Variable fee approach | Allow reinsurance contracts to be eligible for accounting under the variable fee approach	January 2019 Paper 2D	No Change
14. Contract boundary of reinsurance contracts held | Exclude expected cash flows arising from underlying insurance contracts not yet issued in the measurement of reinsurance contracts held	December 2018 Paper 2E	No Change
15. Presentation in the statement of financial position | Permit aggregation of groups of contracts in an asset position with groups of contracts in a liability position in the statement of financial position where they form part of the same portfolio	December 2018 Paper 2A	Amend. Aggregate at portfolio level
16. Presentation in the statement of financial position | Measure and present premiums receivable separately from insurance contract assets and liabilities	December 2018 Paper 2A	No Change

[2] At the February meeting, the staff noted it will continue to explore further solutions on the topic of retrospective application of risk mitigation (discussed in the December and February 2018 Board discussion) and plans to bring back a paper on this topic at a future meeting.

Suggested changes to the Standard raised by stakeholders	Decision timing	Initial tentative decision
17. Presentation in the statement of financial performance – use of OCI | IFRS 17 permits but doesn't require an entity to present the impact of changes in market interest rates directly in OCI rather than the P&L. There are concerns that this choice could impair comparability between entities and therefore the IASB should mandate either P&L or OCI treatment for all entities	December 2018 Paper 2B	No Change
18. Scope of the variable fee approach | Widen the scope of the variable fee approach to prevent contracts with similar features being accounted for very differently if on either side of the dividing line	December 2018 Paper 2C	No Change
19. Interim financial statements | Extend the treatment of accounting estimates in interim financial statements to other types of interim reports, e.g., monthly management reports	December 2018 Paper 2F	No Change
20. Effective date | Delay date of initial application of IFRS 17, suggested by stakeholders to be between one and three years	November 2018	Defer to 2022
21. Comparative information on initial application | Remove the requirement for comparative information on initial application of IFRS 17, consistent with IFRS 9	February 2019 Paper 2B	No Change
22. Effective date of IFRS 9 | Extend the temporary exemption from applying IFRS 9 for insurers to be in line with any deferral of the mandatory effective date of IFRS 17	November 2018	Extend to 2022
23. Transition | Reducing optionality: mandate a single alternative to the full retrospective transition approach (rather than allowing a choice between fair value and modified retrospective approaches)	February 2019 Paper 2B	No Change
24. Modified retrospective approach | Include additional modifications to the modified retrospective approach at transition to IFRS 17 for groups of contracts to which the full retrospective approach is impracticable	February 2019 Paper 2D	Amend. For contracts acquired in pre-settlement period
25. Transition: alternative to full retrospective approach with use of OCI option | Where an entity applies a modified retrospective or fair value approach on transition and elects to disclose the impact of market movements in discount rates in OCI, IFRS 17 allows or requires accumulated OCI on insurance contracts to be set to nil at transition date in certain circumstances. Stakeholders have called for changes to IFRS 17 to help align the treatment of insurance finance expense for insurance contracts with that for financial assets	February 2019 Paper 2C	No Change

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