



IASB agrees re-deliberation plan for amendments to IFRS 17

What you need to know

- ▶ At its meeting on 20 November 2019, the Board agreed a re-deliberation plan for proposed amendments to IFRS 17. It plans to complete re-deliberations by February 2020
- ▶ The Board agreed to the staff's recommended plan to re-deliberate 13 topics
- ▶ The Board agreed to confirm at a future meeting six proposed amendments to IFRS 17
- ▶ The Board agreed that it will not consider feedback raised in the comment letters on 14 potential amendments to the standard the Board had previously considered and rejected
- ▶ The staff have undertaken to provide an analysis of three new topics and to present this to the Board at a future meeting

Overview

At its November Board meeting, the International Accounting Standards Board (IASB or the Board) considered a summary of feedback from the comment letters submitted to the IASB in response to the Exposure Draft Amendments to IFRS 17 *Insurance Contracts* (the ED) that was issued in June 2019. The Board considered responses to the questions it asked in the ED and also considered comments from stakeholders on topics for which it does not propose any amendments in the ED. No technical decisions were made, but the Board agreed to a re-deliberation plan for the proposed amendments to IFRS 17.

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](http://www.ey.com/Publication/vwLUAssets/ey-Applying-IFRS-17-Insurance-May-18/$FILE/ey-Applying-IFRS-17-Insurance-May-18.pdf).

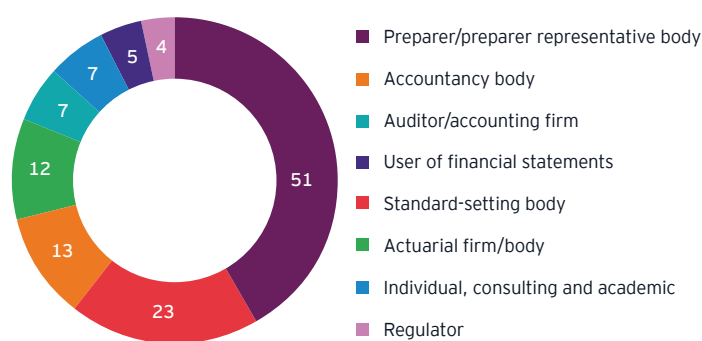
Having considered 25 concerns and implementation challenges arising since the standard was issued, the IASB issued an ED in June 2019 proposing targeted amendments to IFRS 17 to respond to some, but not all, of those concerns and challenges: <https://www.ifrs.org/projects/work-plan/amendments-to-ifs-17/#published-documents>.

For further details of the IASB's exposure draft, and its subsequent discussions refer to our recent Insurance Accounting Alerts: <https://www.ey.com/gl/en/issues/ifrs>.

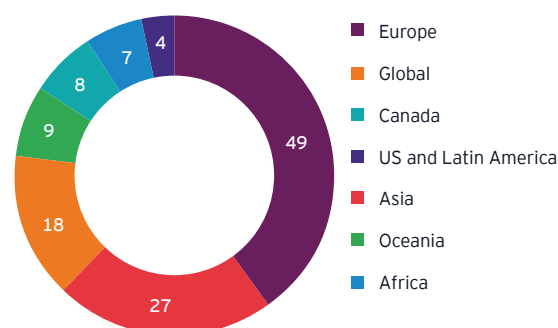
Feedback from comment letters submitted on the ED

The IASB received 122 comment letters in response to the ED. The diagrams below (based on paper 2A for the November IASB meeting) provide an overview of the comment letters by type of respondent and geographical region:

Respondent type



Geographical region



Overall, feedback in the comment letters received was consistent with feedback received during outreach activities carried out by IASB members and staff during the comment period.

In general, respondents support the Board proposing targeted amendments to IFRS 17. However, some respondents believe that the IASB should:

- ▶ Extend the scope of the proposed amendments in some areas, for example: accounting for reinsurance held to reduce accounting mismatches; the risk mitigation option under the Variable Fee Approach (VFA); transitional relief and the scope exclusion for credit cards
- ▶ Reconsider some areas that the IASB considered previously, but where It did not propose any changes, for example, interim financial reporting and annual cohort requirements for contracts subject to mutualisation across generations
- ▶ Consider new concerns and implementation questions that some stakeholders have recently identified

Plans for re-deliberation:

Having considered the summary of feedback received, the IASB assessed the staff's recommended plan for re-deliberation. It set the timetable for its re-deliberations to be between December 2019 and February 2020. An overview of the scope of the deliberations is set out below. Refer to the Appendix for a summary of the topics included in the re-deliberation plans.

Matters that the IASB agreed to re-deliberate

The IASB agreed to the staff's recommended plan to re-deliberate 13 topics. These topics are being reconsidered because comment letters have provided new information, for example, on the balance of costs and benefits of applying the standard. The topics are:

1. Scope exclusion for credit cards
2. Expected recovery of insurance acquisition cash flows
3. Release of contractual service margin (CSM) attributable to investment services for contracts without direct participation features
4. Recovery of losses arising from insurance contracts that an entity issued from reinsurance contracts that it holds
5. Applicability of the risk mitigation option within the variable fee approach to non-derivative financial instruments at fair value through profit or loss
6. Proposed effective date of IFRS 17
7. Proposed extension of IFRS 9 temporary exemption in IFRS 4
8. Transition – the prohibition from applying the risk mitigation option retrospectively
9. Certain minor amendments
10. Level of aggregation – annual cohorts for contracts subject to mutualisation
11. Treatment of contracts acquired in their settlement period in a business combination
12. Interim financial statements
13. Additional specific transition modifications and reliefs

All 14 Board members present agreed with the staff recommendation.

Amendments to be confirmed

The Board agreed to confirm at a future meeting, six proposed amendments to IFRS 17 to which respondents either agreed or did not raise concerns the Board had not previously considered.

1. Scope exclusion for loans
2. CSM attributable to investment services – coverage units for contracts with direct participation features
3. Presentation in the statement of financial position – carrying amount of portfolios of insurance contracts issued that are assets and those that are liabilities
4. Extension of risk mitigation option within the VFA to reinsurance contracts held
5. Transitional relief for business combinations – treatment of claims in their settlement period acquired prior to transition

6. Transition relief for the risk mitigation option – application prospectively from the transition date, and application of the fair value approach at transition even when an entity could apply the standard retrospectively

All 14 Board members present agreed with the staff recommendation.

Matters not to be further considered

The Board agreed with the staff recommendation that it will not consider feedback raised in the comment letters on 14 potential amendments to the standard the Board had previously considered and rejected. Comment letters that raised these topics did not provide new information the Board had not previously considered. These topics are, as follows:

1. Presentation in statement of financial position – premiums receivable/claims payable
2. Risk mitigation option for insurance contracts without direct participation features
3. Effective date – comparative information on initial application of IFRS 17
4. Level of aggregation – annual cohorts for all insurance contracts other than those contracts subject to mutualisation across generations referred to above
5. Cash flows in the boundary of a reinsurance contract held
6. Subjectivity in the determination of discount rates and the risk adjustment for non-financial risk
7. Risk adjustment for non-financial risk in a consolidated group of entities
8. Discount rate used to determine adjustments to the CSM
9. OCI income option for insurance finance income or expenses
10. Business combinations – classification of contracts acquired
11. Scope of the variable fee approach – reinsurance contracts held
12. Amend the standard to consider the specific characteristics of some mutual entities issuing insurance contracts
13. Transition – general optionality and flexibility in the modified retrospective approach
14. Transition – additional reliefs in the full retrospective approach

In total, 13 Board members agreed with the staff recommendation with one voting against it.

New items raised the IASB will consider

Some comment letters raised new concerns the Board had not previously considered. One respondent that raised one of these issues, noted that it only became aware of the concern when it began detailed implementation. The three topics are:

- ▶ Accounting treatment of policyholder taxes applying IFRS 17
- ▶ Application of paragraph B113(b) of IFRS 17 regarding changes in the effect of the time value of money and financial risks not arising from underlying items, such as the effect of financial guarantees, under the variable fee approach (VFA)
- ▶ Contracts that change nature over time (for example VFA contracts that become a pay-out annuity after exercise of an option)

The Board did not discuss these additional items during the meeting. The staff have undertaken to provide an analysis of the three topics and to present this to the Board at a future meeting so that the Board can decide what, if any, action is needed to address them.

Observations from the Board meeting

The IASB staff mentioned it applied the same criteria for considering feedback from outreach and comment letters as when the Board developed the proposed amendments in the ED, and recommended that the Board use the same criteria during its re-deliberations. These are that an amendment to IFRS 17 must not change the fundamental principles of the standard that would result in a significant loss of useful information, unduly disrupt implementations already underway, or further delay the effective date of IFRS 17.

The staff also noted that further changes to IFRS 17 are more likely to disrupt than help implementation processes. However, other action such as providing additional educational material might be appropriate to continue to support implementation of IFRS 17.

Several Board members expressed a reluctance to make changes. One expressed scepticism about reasons given in support of some proposed changes to the standard. Another Board member said he was willing to consider the analysis because of the quality of comments in the comment letters, but indicated a reluctance to change.

How we see it

- ▶ The items on the list for deliberation cover the main areas expected based on the feedback from the outreach activities provided at the last IASB meeting. The fact that the Board is planning to re-deliberate a topic does not mean that there will necessarily be changes for this topic
- ▶ There will be significant interest in the effective date of the re-deliberations, and given the impact on implementation projects, we expect that IASB will consider this topic early on
- ▶ The IASB has set a very ambitious timetable to complete re-deliberations. Whether it will meet this timetable will depend on the extent of the discussions. Any more detailed amendments to the standard in addition to those proposed in the ED would require time to develop

Next steps

The IASB plans to start its re-deliberations on the standard at the December 2019 Board meeting. The staff have yet to decide on the order and timing of re-deliberation of the topics, except that they intend that the Board would complete its re-deliberations by February 2020 and to finalise any resulting amendments to IFRS 17 by mid-2020. The staff will provide a more detailed analysis at these future meetings of each topic the Board has decided to re-deliberate.

Appendix: Summary of proposed amendments included in the Board's plans for re-deliberations

Proposed Amendment in the ED	IASB to confirm the amendment where feedback indicates general agreement, but to consider the additional points raised in feedback and comment letters:
1(a). Scope exclusion for credit cards	<p>To consider the suggestion to extend the scope exclusion for credit card contracts to other banking products that meet the definition of an insurance contract.</p> <p>To consider concerns that IFRS 9 would require entities to account for some credit card contracts captured by the scope exclusion at fair value through profit or loss due to failing the SPPI test applying IFRS 9.</p>
2. Expected recovery of insurance acquisition cash flows	<p>To consider concerns that allocation of a part of acquisition cash flows to expected renewals, their recognition as assets, and their assessment for recoverability would add complexity and increase costs.</p> <p>To consider feedback requesting guidance on how the allocation of acquisition cash flows to expected renewals should be done, and on recognition of any asset at transition and on the unit of account used.</p>
3(a). Coverage units for contracts without direct participation features	<p>To consider concerns that the proposed criteria for when an investment-return service can exist are too narrow. (For example, some suggestions that this should also apply to some contracts without an investment component or a right to withdraw).</p> <p>Also, to consider requests for further clarification, such as on "positive investment return" and concerns about the complexity of identifying coverage units for contracts with multiple services. To consider requests for further application guidance, illustrative examples or educational materials.</p>
3(c). Disclosures	<p>To address concerns raised on disclosures such as about the requirement to provide quantitative (rather than qualitative) information about expected recognition in profit or loss of the CSM remaining at the end of a period.</p>
4. Reinsurance contracts held-recovery of losses	<p>To address concerns about the scope of the amendment, seeing the population it would apply to as too narrow (for example, thinking it should be expanded to also apply to excess loss reinsurance contracts held, or apply to all reinsurance contracts held).</p> <p>To consider some observations that the proposed accounting for proportionate reinsurance would be different from general IFRS principles and could be open to abuse.</p>
6. Applicability of the risk mitigation option	<p>To consider some concerns that the risk mitigation option should apply to all financial instruments used for risk mitigation purposes accounted for at fair value through profit or loss (rather than only derivatives and reinsurance held).</p> <p>To address suggestions to add a risk mitigation option for insurance contracts without direct participation features or to permit an entity to account for reinsurance contracts held applying the variable fee approach.</p>
7(a). Effective date of IFRS 17	<p>To consider feedback received around the importance of having the same effective date in different jurisdictions around the world; suggestions to defer by more than one year to allow additional time for implementation by smaller entities.</p> <p>Also, to consider the feedback from a small number of respondents who opposed a further deferral as it would further increase implementation costs or further delay improvements in accounting practices that are urgently needed, and suggestions to not require entities to restate comparative information as an alternative to further deferral.</p>
7(b). IFRS 9 temporary exemption in IFRS 4	<p>To address concerns raised by some respondents who considered alignment between IFRS 17 and IFRS 9 implementation as essential against the concerns of some users and regulators about further delaying improved information about expected credit losses by insurance entities that hold significant financial assets. To consider suggested additional disclosure requirements on financial asset ratings until insurers apply IFRS 9.</p>
8(a). Transitional reliefs for business combinations	<p>To address the request to clarify that this amendment would apply to both business combinations and portfolio transfers.</p> <p>Refer also to "Business combinations – contracts acquired in their settlement period" below.</p>

Proposed Amendment in the ED	IASB to confirm the amendment where feedback indicates general agreement, but to consider the additional points raised in feedback and comment letters:
8 (b-c). Transitional reliefs for risk mitigation	To consider feedback received to allow an entity to apply the risk mitigation option retrospectively, either in addition to, or instead of, the proposed amendments, and to reduce the risk of an entity using hindsight to apply the option based on a known accounting outcome by reconsidering permitting an “all or nothing” approach to applying the risk mitigation option retrospectively.
9. Minor Amendments	To consider requests for clarification about certain items, including eligibility for the VFA: some respondents view an editorial correction to paragraph B107 to specify that an entity assesses contracts that are eligible for the VFA at individual contract level (consistent with the wording in paragraph B101) as a major change of requirements. (Refer to agenda item 2B of the staff papers for further details on these minor amendments).
10. Terminology	To consider further the feedback from respondents as part of re-deliberations on question 3, regarding whether the proposed definition of “insurance contract services” may have implications for the proposed amendments in question 3.

Other topics raised by respondents which the Board agreed to consider

Interim Financial Reporting	To consider concerns raised by some respondents about the requirements in paragraph B137 of IFRS 17 that an entity should not change treatment of accounting estimates made in previous interim financial statements when applying IFRS 17 subsequently. Concern was raised that paragraph B137 could result in a more significant burden than the one it is supposed to alleviate, particularly for entities in consolidated groups. Some respondents noted it is a fundamental change to existing accounting practices and others said it does not result in useful information. Some suggested permitting rather than requiring application of B137, others suggested deleting paragraph B137. Others expressed a view that the objective should be to avoid the need for entities in consolidated groups to keep two sets of accounting estimates.
Annual Cohorts – contracts subject to mutualisation across generations	To consider further the feedback received from respondents primarily in Europe, that the annual cohort requirement is costly to apply, and for certain contracts, it does not provide useful information. In particular, to consider suggestions that it should not be required for contracts with intergenerational sharing of risks between policyholders and the suggestions that additional disclosures could be required for such contracts instead. To consider requests for further transitional relief such as not being required to apply the annual cohort requirement under the full retrospective approach or modified retrospective approach.
Business combinations – contracts acquired in their settlement period	To consider further the feedback from respondents to permit an entity to classify the liability for settlement of claims incurred before acquisition as a liability for incurred claims. In their view, this would: increase comparability between insurance contracts issued and those acquired by an entity; reduce complexity and costs since it is consistent with many existing accounting practices, in particular for entities that would be required to apply the general model rather than the PAA, only as a result of these requirements.
Additional transitional modifications and reliefs	To consider further the feedback from respondents on additional specific transition modifications and reliefs

Refer also to our June 2019 Insurance Accounting Alert for further details of the proposed amendments in the ED.

Area IFRS Contacts

Global			
	Kevin Griffith	+44 20 7951 0905	kgriffith@uk.ey.com
	Martina Neary	+44 20 7951 0710	mneary@uk.ey.com
	Martin Bradley	+44 20 7951 8815	mbradley@uk.ey.com
	Conor Geraghty	+44 20 7951 1683	cgeraghty@uk.ey.com
	Hans van der Veen	+31 88 40 70800	hans.van.der.veen@nl.ey.com
Europe, Middle East, India and Africa			
	Philip Vermeulen	+41 58 286 3297	phil.vermeulen@ch.ey.com
	Thomas Kagermeier	+49 89 14331 25162	thomas.kagermeier@de.ey.com
Belgium	Katrien De Cauwer	+32 2 774 91 91	katrien.de.cauwer@be.ey.com
Belgium	Peter Telders	+32 470 45 28 87	peter.telders@be.ey.com
Czech Republic	Karel Svoboda	+420225335648	karel.svoboda@cz.ey.com
France	Frederic Pierchon	+33 1 46 93 42 16	frederic.pierchon@fr.ey.com
France	Patrick Menard	+33 6 62 92 30 99	patrick.menard@fr.ey.com
France	Jean-Michel Pinton	+33 6 84 80 34 79	jean.michel.pinton@fr.ey.com
Germany	Markus Horstkötter	+49 221 2779 25 587	markus.horstkoetter@de.ey.com
Germany	Robert Bahnsen	+49 711 9881 10354	robert.bahnsen@de.ey.com
Greece	Konstantinos Nikolopoulos	+30 2102886065	konstantinos.nikolopoulos@gr.ey.com
India	Rohan Sachdev	+91 226 192 0470	rohan.sachdev@in.ey.com
Ireland	James Maher	+353 1 221 2117	james.maher@ie.ey.com
Ireland	Ciara McKenna	+353 1 221 2683	ciara.mckenna@ie.ey.com
Italy	Matteo Brusatori	+39 02722 12348	matteo.brusatori@it.ey.com
Israel	Emanuel Berzack	+972 3 568 0903	emanuel.berzack@il.ey.com
Luxembourg	Jean-Michel Pacaud	+352 42 124 8570	jeanMichel.pacaud@lu.ey.com
Netherlands	Hildegard Elgersma	+31 88 40 72581	hildegard.elgersma@nl.ey.com
Netherlands	Bouke Evers	+31 88 407 3141	bouke.evers@nl.ey.com
Portugal	Ana Salcedas	+351 21 791 2122	ana.salcedas@pt.ey.com
Poland	Marcin Sadek	+48225578779	marcin.sadek@pl.ey.com
Poland	Radoslaw Bogucki	+48225578780	radoslaw.bogucki@pl.ey.com
South Africa	Jaco Louw	+27 21 443 0659	jaco.louw@za.ey.com
Spain	Ana Belen Hernandez-Martinez	+34 915 727298	anabelen.hernandezmartinez@es.ey.com
Switzerland	Roger Spichiger	+41 58 286 3794	roger.spichiger@ch.ey.com
Switzerland	Philip Vermeulen	+41 58 286 3297	phil.vermeulen@ch.ey.com
Turkey	Damla Harman	+90 212 408 5751	damla.harman@tr.ey.com
Turkey	Seda Akkus	+90 212 408 5252	seda.akkus@tr.ey.com
UAE	Sanjay Jain	+971 4312 9291	sanjay.jain@ae.ey.com
UK	Brian Edey	+44 20 7951 1692	bedey@uk.ey.com
UK	Nick Walker	+44 20 7951 0335	nwalker1@uk.ey.com
UK	Shannon Ramnarine	+44 20 7951 3222	sramnarine@uk.ey.com
UK	Alex Lee	+44 20 7951 1047	alee6@uk.ey.com

Americas			
Argentina	Alejandro de Navarrete	+54 11 4515 2655	alejandro.de-navarrete@ar.ey.com
Brazil	Eduardo Wellichen	+55 11 2573 3293	eduardo.wellichen@br.ey.com
Brazil	Nuno Vieira	+55 11 2573 3098	nuno.vieira@br.ey.com
Canada	Janice Deganis	+1 5195713329	janice.c.deganis@ca.ey.com
Mexico	Tarsicio Guevara Paulin	+52 555 2838687	tarsicio.guevara@mx.ey.com
USA	Evan Bogardus	+1 212 773 1428	evan.bogardus@ey.com
USA	Kay Zhytko	+1 617 375 2432	kay.zhytko@ey.com
USA	Tara Hansen	+1 212 773 2329	tara.hansen@ey.com
USA	Robert Frasca	+1 617 585 0799	rob.frasca@ey.com
USA	Rajni Ramani	+1 201 551 5039	rajni.k.ramani@ey.com
USA	Peter Corbett	+1 404 290 7517	peter.corbett@ey.com
Asia Pacific			
	Jonathan Zhao	+852 6124 8127	jonathan.zhao@hk.ey.com
	Martyn van Wensveen	+852 318 94429	martyn.van.wensveen@hk.ey.com
Australia	Kieren Cummings	+61 2 9248 4215	kieren.cummings@au.ey.com
Australia	Brendan Counsell	+61 2 9276 9040	brendan.counsell@au.ey.com
China (mainland)	Andy Ng	+86 10 5815 2870	andy.ng@cn.ey.com
China (mainland)	Bonny Fu	+86 135 0128 6019	bonny.fu@cn.ey.com
Hong Kong	Doru Pantea	+852 2629 3168	doru.pantea@hk.ey.com
Hong Kong	Tze Ping Chng	+852 2849 9200	tze-ping.chng@hk.ey.com
Hong Kong	Steve Cheung	+852 2846 9049	steve.cheung@hk.ey.com
Hong Kong	Martyn van Wensveen	+852 318 94429	martyn.van.wensveen@hk.ey.com
Taiwan	Angelo Wang	+886 9056 78990	angelo.wang@tw.ey.com
Korea	Keum Cheol Shin	+82 2 3787 6372	keum-cheol.shin@kr.ey.com
Korea	Suk Hun Kang	+82 2 3787 6600	suk-hun.kang@kr.ey.com
Malaysia	Jeremy Lin	+60 3 238 89036	jeremy-j.lim@my.ey.com
Philippines	Charisse Rossielin Y Cruz	+63 2 8910307	charisse.rossielin.y.cruz@ph.ey.com
Singapore	Vanessa Lou	+65 6309 6759	vanessa.lou@sg.ey.com
Japan			
	Hiroshi Yamano	+81 33 503 1100	hirishi.yamano@jp.ey.com
	Norio Hashiba	+81 33 503 1100	norio.hashiba@jp.ey.com
	Toshihiko Kawasaki	+81 80 5984 4399	toshihiko.kawasaki@jp.ey.com

About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. Information about how EY collects and uses personal data and a description of the rights individuals have under data protection legislation are available via ey.com/privacy. For more information about our organization, please visit ey.com.

© 2019 EYGM Limited. All Rights Reserved.

EYG No. 005476-19GbI

EY-000111857.indd (UK) 11/19.

Artwork by Creative Services Group London.

ED None



In line with EY's commitment to minimize its impact on the environment, this document has been printed on paper with a high recycled content.

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax or other professional advice. Please refer to your advisors for specific advice.

This publication contains copyright material of the IFRS® Foundation in respect of which all rights are reserved. Reproduced by EY with the permission of the IFRS Foundation. No permission granted to third parties to reproduce or distribute. For full access to IFRS Standards and the work of the IFRS Foundation please visit <http://eifrs.ifrs.org>

ey.com