

Preparation of a DCL on the forthcoming ED *Insurance Contracts* Cover Note

Objective

- 1 The objective of this session is to discuss an issues paper in preparation of the draft comment letter on the forthcoming *ED Insurance Contracts*.

Background

- 2 The IASB is expected to publish its *ED Insurance Contracts* by the end of June 2019. In order to prepare for this release, the EFRAG Secretariat has developed an issues paper discussing the topics that are expected to be raised in the ED as well as the topics that were addressed in the EFRAG letter of September 2018. During the meeting, preliminary inputs from EFRAG IAWG members are asked for that will subsequently be submitted to EFRAG TEG and EFRAG Board when discussing the draft comment letter.
- 3 A first pack of expected to be non-controversial issues has been shared with EFRAG IAWG and EFRAG TEG members for written input by 27 June 2019. The written inputs on these topics will be combined with the inputs collected on the more controversial issues.
- 4 The expected to be non-controversial issues are:
 - (a) Loans that transfers significant insurance risk;
 - (b) Credit cards that provide insurance coverage;
 - (c) Allocation of acquisition costs to expected contract renewals;
 - (d) Simplified balance sheet presentation;
 - (e) Extension of risk mitigation option;
 - (f) Transition relief for business combinations;
 - (g) Transition relief for risk mitigation – transition date and fair value approach; and
 - (h) Annual improvements.
- 5 The expected to be controversial issues are:
 - (a) Attribution of profit to service relating to investment activities;
 - (b) Reduced accounting mismatches for reinsurance;
 - (c) Deferral of effective date of IFRS 17 by one year;
 - (d) Deferral of effective date for the temporary exemption of IFRS 9 in IFRS 4;
 - (e) Balance sheet presentation: non-separation of receivables and payables;
 - (f) Transition: modified retrospective approach and fair value approach;
 - (g) Reinsurance contracts: contract boundary; and
 - (h) Annual cohorts.

Running order

- 6 The EFRAG Secretariat proposes to discuss the issues in the following order:
- (a) Annual cohorts;
 - (b) Transition: modified retrospective approach and fair value approach;
 - (c) Balance sheet presentation: non-separation of receivables and payables;
 - (d) Reduced accounting mismatches for reinsurance;
 - (e) Reinsurance contracts: contract boundary;
 - (f) Attribution of profit service relating to investment activities; and
 - (g) Deferral of effective date of IFRS 17.

Agenda Papers

- 7 In addition to this cover note, the following papers are being used:
- (a) Agenda paper 06-02A – Issues paper in preparation of the draft comment letter on the forthcoming ED *Insurance Contracts* – controversial issues – clean;
 - (b) Agenda paper 06-02B – Issues paper in preparation of the draft comment letter on the forthcoming ED *Insurance Contracts* – controversial issues – compared;
 - (c) Agenda paper 06-03A – Issues paper on the forthcoming Exposure Draft – non-controversial issues - clean;
 - (d) Agenda paper 06-03B - Issues paper on the forthcoming Exposure Draft – non-controversial issues – compared;
 - (e) Agenda paper 06-04 – Comments received from EFRAG IAWG and EFRAG TEG on the drafting of the non-controversial issues;
 - (f) Agenda paper 06-05 – IASB ED Amendments to IFRS 17 (for background);
 - (g) Agenda paper 06-06 – IASB Amendments to IFRS 17 Snapshot (for background);
 - (h) Agenda paper 06-07 – IASB Amendments to IFRS 17 – Basis for Conclusions (for background).