

This paper has been prepared by the EFRAG Secretariat for discussion at a public meeting of EFRAG TEG. The paper forms part of an early stage of the development of a potential EFRAG position. Consequently, the paper does not represent the official views of EFRAG or any individual member of the EFRAG Board or EFRAG TEG. The paper is made available to enable the public to follow the discussions in the meeting. Tentative decisions are made in public and reported in the EFRAG Update. EFRAG positions, as approved by the EFRAG Board, are published as comment letters, discussion or position papers, or in any other form considered appropriate in the circumstances.

IFRS 17 *Insurance Contracts* Project Plan for Endorsement Advice

Objective

- 1 The objective for this session is to consider the proposed process for preparing an endorsement advice on IFRS 17 *Insurance Contracts* in response to the request from the European Commission.

Consideration by the EFRAG Board

- 2 A high-level draft project plan was presented to the EFRAG Board at its meeting on 9 November 2017. The draft project plan reflected the request from the European Commission that EFRAG provide advice on the endorsement of IFRS 17 by the end of 2018. For the information of EFRAG TEG members, the draft project plan presented to the EFRAG Board is attached to this paper.
- 3 The EFRAG Board considered the draft project plan and decided to consider:
 - (a) the project plan in more depth at its December meeting, including how each issue raised in the request from the EC would be considered, sources(s) of information for each point, timing of activities and involvement of the various EFRAG groups; and
 - (b) whether the time proposed for consultation on the draft endorsement advice could be extended. This would include consideration of additional meetings in August 2018 to enable the draft endorsement advice to be issued earlier than originally planned.

Consideration by EFRAG TEG

- 4 The EFRAG Secretariat is in the process of revising the draft project plan and is seeking views from EFRAG TEG on how the draft project plan can be improved.

Questions for EFRAG TEG

- 5 Are you aware of any high-level issues that are omitted from the draft project plan?
- 6 Do you have any other comments on the draft project plan?
- 7 Would you be available for an additional meeting or conference call in August 2018?

Attachment: draft project plan as presented to the EFRAG Board

- 1 To meet the request from the European Commission, including completion of the advice by the end of 2018, the EFRAG Secretariat is proposing the following activities and likely timing of issues to be considered by the EFRAG Board.

Overview

Month	Board meeting	Other activities, to be discussed with EFRAG TEG and EFRAG IAWG
November 2017	Education session 2 Consider project plan	Launch call for case study participants.
December 2017	Education session 3	Advise successful case study participants and issue case study materials Launch call for study on insurance market (product and investment trends, cost of capital, competition)
January 2018		Discuss case study with participants
February 2018	Insurance users	Commence user survey interviews
March 2018	Insurance users Insurance auditors	Issue consultation paper on level of aggregation and onerous contracts (responses due end May)
April 2018		
May 2018	Update on case study	Complete user survey interviews Issue consultation paper on CSM run-off patterns (responses due end July)
June 2018		Consider results of user survey interviews
July 2018	Consider draft endorsement advice Consider study on the insurance market Consider study on level of aggregation and onerous contracts Consider results of user survey interviews	
September 20	Approve draft endorsement advice	

Month	Board meeting	Other activities, to be discussed with EFRAG TEG and EFRAG IAWG
October 18		Consultation on draft endorsement advice
November 22	Consider preliminary results of draft endorsement advice consultation	
December 18/19	Approve final endorsement advice	

Case study approach

- 2 The case study will provide input into the impact of IFRS 17. It is designed to provide information from a preparer's perspective that will help EFRAG:
 - (a) Identify the impact of IFRS 17 on a representative sample of European insurers to provide a basis for assessing the overall impact in Europe;
 - (b) Provide insights into costs and benefits to insurers of IFRS 17;
 - (c) Consider the extent to which the insurers can benefit from the work undertaken in reporting under Solvency II regime;
 - (d) Provide insights into the size of the differences between IFRS 17 and Solvency II;
 - (e) Provide an understanding of the potential impact of IFRS 17, in conjunction with IFRS 9, on long-term investment including the investments held by insurance groups; and
 - (f) Provide initial views on impact on product offerings and pricing.
- 3 Specific activities planned are:
 - (a) November 2017 – launch call for participants. This will include planned timelines for the case study and will seek specific information from applicants to enable the selection of insurers covering a range of countries, structures and products.
 - (b) December 2017 – advise selected participants.
 - (c) January/February 2018 – participants are likely to be very busy with their year-end procedures so the main activity will consist of initial discussion and providing any necessary clarifications.
 - (d) March/April/May 2018 – at least monthly contact to address any issues that may arise.
 - (e) June 2018 – case study results due.
 - (f) June/July 2018 – meetings with participants to cover any missing information.

Other activities

Impact on users of financial statements

- 4 We are planning an extensive series of interviews based on a structured questionnaire with both specialist users and portfolio managers. The purpose of the interviews will be to understand what information is used under the present regime and to assess how IFRS 17 is likely to affect users. The interviews will seek

information from users on the costs and benefits of IFRS 17 from their perspective and estimates of any impact on the cost of capital for insurers.

Additional studies

- 5 *Outsourced study on the insurance market.* We propose to commission a study on past product and investment trends in the insurance market and an assessment of the effect of IFRS 17 on the future design and pricing of insurance products. The successful bidder will also be asked to consider the prospective impact on the demand for various products.
- 6 *EFRAG Secretariat paper on the pattern of release of the CSM.* To meet the EC request, we plan to prepare a paper identifying the expected patterns of release of the CSM under IFRS 17 which will be published for comments. Combined with the results of the case study, this paper will assess the effect of IFRS 17 on profit patterns, product and investment trends, cost of capital, and competition.
- 7 *EFRAG Secretariat paper on the level of aggregation and onerous contracts.* This paper will consider the advantages and disadvantages of the requirements in IFRS 17 and will be published for comments.

Other key sources of information

- 8 The EFRAG Board official observers will be requested to provide input on the impact of IFRS 17 on financial stability. We will welcome any other information that is available for the development of the endorsement advice.
- 9 The EFRAG IAWG will be a key provider of advice in the preparation of papers and will be asked to comment on the results of analyses as they are prepared for consideration by EFRAG TEG and the EFRAG Board.