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Amendments to IFRS 17 Insurance Contracts Cover Note

Introduction and Objective

- 1 The objective of the session is for the EFRAG Board to discuss and approve the draft comment letter on *Amendments to IFRS 17* issued by the IASB on 26 June 2019 (the 'ED').
- 2 The ED proposes targeted amendments to the following:
 - (a) scope exclusions—credit card contracts and loan contracts that meet the definition of an insurance contract;
 - (b) expected recovery of insurance acquisition cash flows;
 - (c) contractual service margin attributable to investment-return service and investment-related service;
 - (d) reinsurance contracts held — recovery of losses on underlying insurance contracts;
 - (e) presentation in the statement of financial position;
 - (f) applicability of the risk mitigation option;
 - (g) effective date of IFRS 17 *Insurance Contracts* and the IFRS 9 *Financial Instruments* temporary exemption in IFRS 4 *Insurance Contracts*;
 - (h) transition modifications and reliefs; and
 - (i) minor amendments.
- 3 EFRAG's draft comment letter has been updated based on discussions/input from EFRAG IAWG in June and from the 4th July 2019 EFRAG TEG. Paper 05-02A is a marked-up version compared to the one used at the 4th July EFRAG TEG meeting.

Background

- 4 The EFRAG Board agreed at its April 2019 meeting that the EFRAG draft comment letter would address all aspects addressed by the IASB as well as any issues from its September 2018 letter to the IASB that has not been addressed by the ED.
- 5 The EFRAG six topics were:
 - (a) Annual cohort (cost-benefit trade-off, including for VFA contracts);
 - (b) Transition (extent of relief offered by modified retrospective approach and challenges in applying fair value approach);
 - (c) Reinsurance (onerous underlying contracts that are profitable after reinsurance, contract boundary for reinsurance contracts where underlying contracts are not yet issued);

- (d) CSM amortisation (impact on contracts that include investment services);
- (e) Balance sheet presentation (cost-benefit trade-off of separate disclosure of groups in an asset position and groups in a liability position and non-separation of receivables and/or payables); and
- (f) Acquisition costs (for costs incurred in expectation of contract renewals).

Work plan for the final comment letter

- 6 The IASB’s comment period deadline is 25 September 2019.
- 7 Taking this into consideration, the following meetings are planned for the approval of the final comment letter:

Topic	EFRAG IAWG	EFRAG TEG	EFRAG Board
IASB ED final comment letter	Consideration September 2019	Recommendation September 2019	Approval October 2019

Question for EFRAG Board

- 8 Does EFRAG Board agree to approve the draft comment letter on the ED? Please explain.

Agenda Papers

- 9 In addition to this cover note, agenda papers for this session are:
 - (a) Agenda paper 05-01A – Report to the EFRAG Board – decisions taken at EFRAG TEG meeting held on 4 July 2019;
 - (b) Agenda paper 05-02A – EFRAG draft comment letter – marked-up from the version discussed by TEG the 4th July to reflect TEG inputs;
 - (c) Agenda paper 05-02B – EFRAG draft comment letter – clean;
 - (d) Agenda paper 05-02C – EFRAG draft comment letter – clean version sent to EFRAG TEG;
 - (e) Agenda paper 05-03 – IASB ED - Amendments to IFRS 17 (for background);
 - (f) Agenda paper 05-04 – IASB Basis for Conclusions - Amendments to IFRS 17 (for background); and
 - (g) Agenda paper 05-05 – IASB Snapshot - Amendments to IFRS 17 (for background).