

This paper provides the technical advice from EFRAG TEG to the EFRAG Board, following EFRAG TEG's public discussion as well as papers prepared by the EFRAG Secretariat. The paper does not represent the official views of EFRAG or any individual member of the EFRAG Board. This paper is made available to enable the public to follow the EFRAG's due process. Tentative decisions are reported in 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 Cover Note

Objective

- 1 The objective of this session is the following:
- 2 In preparing for the draft endorsement advice of IFRS 17, to discuss and validate decision documents that explain no (or limited) further work is necessary in the following fields:
 - (a) The economic study supporting the future endorsement advice of IFRS 17;
 - (b) The user outreach done in preparing for the future endorsement advice of IFRS 17; and
 - (c) The limited update for the case studies.
- 3 In addition, an update is provided of the activities done by the EFRAG secretariat, the EFRAG IAWG and EFRAG TEG pursuing the project plan, since the last Board meeting the 13 November.

Update on the DEA activities

- 4 EFRAG IAWG met on 21 November 2019 to:
 - (a) receive a feedback on November EFRAG TEG and EFRAG Board discussions and their implications in terms of planning for the group;
 - (b) discuss the results of the hedge accounting questionnaire, including interactions between IFRS 9 and IFRS 17. Agenda Paper 06.07 summarises the outcome of that discussion as presented to EFRAG TEG in November and Agenda Paper 06.06 was used as additional background in the IAWG and TEG meeting. These two papers are provided as background for this Board meeting and have not been updated after the discussions of those two meetings. Financial instruments experts from audit firms were invited to the meeting to support the discussion.
 - (c) collect input on the approach to the remaining activities to be planned on the economic study, the user outreach and the case studies.
- 5 EFRAG TEG met on 5 December 2019 to review the outcome of the IAWG discussion. Agenda paper 06.02 summarises the main messages from EFRAG TEG members.
- 6 With reference to hedge accounting and interactions between IFRS 9 and IFRS 17, the scope of the ongoing analysis for the DEA is in line with the motion of the EP, i.e. *Changes in valuation now occur on both the assets and the liabilities side of insurers' balance sheets, as investment assets are marked-to-market and the valuations of insurance contracts include forward-looking net cash flow estimates; calls on the EFRAG to assess the potential interaction and any mismatches between*

IFRS 9 and IFRS 17 (paragraph 9 of the Motion). EFRAG secretariat is considering the outcome of the hedge accounting questionnaire, follow up discussions with IAWG members, including one-to-one assessment of specific examples with preparers, the feedback obtained from constituents from the public consultation on EFRAG comment letter on the ED Amendments to IFRS 17 and the EFRAG position taken in the final comment letter.

- 7 With relation to equity instruments it is proposed to rely on the EFRAG Board session 7 Equity instruments: Research on Measurement.
- 8 EFRAG Board members may refer to Agenda Papers Agenda paper 06-03 – Decision document relating to the economic study with reference to the approach proposed by EFRAG Secretariat on the economic study. This agenda paper already incorporates the outcome of both IAWG and TEG discussion.
- 9 EFRAG Board members may refer to Agenda paper 06-04 – Decision document relating to the user outreach, with reference to the approach proposed by EFRAG Secretariat on user outreach. This agenda paper already incorporates the outcome of both IAWG and TEG discussion.
- 10 EFRAG Board members may refer to Agenda paper 06-05A – Decision document relating to the limited update to the case study and Agenda paper 06-05B – Limited update to the case study (draft). This agenda paper already incorporates the outcome of both IAWG and TEG discussion. EFRAG TEG members suggested to maximize the use of qualitative information instead of quantitative; accordingly IAWG is providing additional input on Agenda paper 06-05 on 12 December 2019.
- 11 The progress of the activities is generally in line with the project plan. Topics for discussion in the IAWG of the 12 December include (i) interaction of IFRS 15, IAS 37 and IFRS 17, (ii) impact of IFRS 17 on small insurers; (iii) interactions of IFRS 17/ Solvency II. These topics will be presented to the EFRAG Board after the discussion at TEG. Further analyses are being planned on hedge accounting and interactions of IFRS 9 and IFRS 17 following the discussion at TEG.

Update on the IASB deliberations

- 12 Agenda Paper 06-09 summarises the outcome of the IASB deliberation approach. Agenda paper 06-02 provides the comments of EFRAG TEG on the deliberation plan approved by the IASB in November 2019.

Questions for EFRAG Board

- 13 Do EFRAG Board members have comments on the outcome of TEG discussion on hedge accounting and interactions between IFRS 9 and IFRS 17?
- 14 Do EFRAG Board members agree with the proposed decision documents?
- 15 Do EFRAG Board members have comments on the IASB deliberations?

Agenda Papers

- 16 In addition to this cover note, agenda papers for this session are:
 - (a) Agenda paper 06-02 – Report to the EFRAG Board on TEG discussion 4-5 December 2019;
 - (b) Agenda paper 06-03 – Decision document relating to the economic study;
 - (c) Agenda paper 06-04 – Decision document relating to the user outreach;
 - (d) Agenda paper 06-05A – Decision document relating to the limited update to the case study; and

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- (e) Agenda paper 06-05B – Limited update to the case study (draft).
- (f) Agenda paper 06-06 – Interaction IFRS 9/IFRS 17 and hedge accounting (for background only).
- (g) Agenda paper 06-07 – December TEG Agenda paper – Summary of discussion held at IAWG November 2019 on hedge accounting (for background only).
- (h) Agenda paper 06-08 –Planning of activities for the DEA; and
- (i) Agenda paper 06-09 –Update of IASB deliberations.